

MISCELLANEOUS TARIFF BILLS

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

NINETY-SIXTH CONGRESS

SECOND SESSION

ON

H.R. 2492 (S. 1258), H.R. 2535, H.R. 2537, H.R. 3046
(S. 1004), H.R. 3317, H.R. 3591, H.R. 3755, H.R. 4309
(S. 1275), H.R. 4738, H.R. 6089, S. 1851, S. 1852

FEBRUARY 5, 1980



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MISCELLANEOUS TARIFF BILLS

TUESDAY, FEBRUARY 5, 1980

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 2221, Dirksen Senate Office Building, Hon. Abraham Ribicoff (chairman of the subcommittee) presiding.

Present: Senators Ribicoff, Dole, and Danforth.

[The press release announcing this hearing and the bills H.R. 2492 (S. 1258), H.R. 2535, H.R. 2537, H.R. 3046 (S. 1004), H.R. 3317, H.R. 3591, H.R. 3755, H.R. 4309 (S. 1275), H.R. 4738, H.R. 6089, S. 1851, S. 1852, follow:]

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE
January 21, 1980

UNITED STATES SENATE
COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE
2227 Dirksen Senate Office Building

FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE TO
HOLD HEARINGS ON MISCELLANEOUS TARIFF BILLS

The Honorable Abraham Ribicoff (D., Ct.), Chairman of the Subcommittee on International Trade of the Committee on Finance, today announced that the Subcommittee will hold a public hearing on miscellaneous tariff bills. The hearing will be held at 10:00 A.M., Tuesday, February 5, 1980, in Room 2221, Dirksen Senate Office Building.

The following bills will be the subject of the hearing:

- H.R. 2492 -- To continue a previously-expired suspension (S. 1258) of duty on crude feathers and down through June 30, 1984.
- H.R. 2535 -- To provide a temporary duty suspension on certain alloy steels used for making chipper knives through June 30, 1982.
- H.R. 2537 -- To suspend through December 31, 1981, a portion of the duties on strontium nitrate.
- H.R. 3046 -- To suspend through June 30, 1981, a portion (S. 1004) of the duties on assembled freight cars.
- H.R. 3317 -- To admit an organ and accompanying parts and accessories duty free.
- H.R. 3591 -- To reduce through June 30, 1981, the duty on titanium sponge.
- H.R. 3755 -- To admit components of a tracker pipe organ duty free.
- H.R. 4309 -- To amend the Tariff Schedules of the United States (S. 1275) to provide for the proper classification of certain cold finished steel bar products, and for other purposes.
- H.R. 4738 -- To reduce through June 30, 1981, the duty on titanium sheet, plate, and other rolled titanium products.
- H.R. 6089 -- To prohibit until January 1, 1982, the conversion of specific duty rates on certain unwrought lead to ad valorem equivalents.
- S. 1851 -- To continue present duty-free status of equipment purchased in Panama for, and repairs made in Panama to, U.S. vessels.
- S. 1852 -- To suspend through June 30, 1982, the duty on certain peppers.

Requests to testify.--Chairman Ribicoff stated that witnesses desiring to testify during this hearing must make their requests to testify to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D. C. 20510, not later than Thursday, January 31, 1980. Witnesses will be notified as soon as possible after this date as to whether they are scheduled to appear. If for some reason the witness is unable to appear at the time scheduled, he may file a written statement for the record in lieu of the personal appearance.

Consolidated testimony.--Chairman Ribicoff also stated that the Subcommittee urges all witnesses who have a common position or with the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Subcommittee. This procedure will enable the Subcommittee to receive a wider expression of views than it might otherwise obtain. Chairman Ribicoff urged very strongly that all witnesses exert a maximum effort, taking into account the limited advance notice, to consolidate and coordinate their statements.

Legislative Reorganization Act.--Chairman Ribicoff observed that the Legislative Reorganization Act of 1946, as amended, and the rules of the Committee require witnesses appearing before the Committees of Congress to file in advance written statements of their proposed testimony and to limit oral presentations to brief summaries of their arguments.

Chairman Ribicoff stated that in light of this statute and the rules, and in view of the large number of witnesses who desire to appear before the Subcommittee in the limited time available for the hearing, all witnesses who are scheduled to testify must comply with the following rules:

1. All witnesses must include with their written statements a one-page summary of the principal points included in the statement.
2. The written statements must be typed on letter-size (not legal size) paper and at least 100 copies must be delivered to Room 2227, Dirksen Senate Office Building not later than noon of the last business day before the witness is scheduled to appear.
3. Witnesses are not to read their written statements to the Subcommittee, but are to confine their oral presentations to a summary of the points included in the statement.
4. No more than five minutes will be allowed for the oral summary.

Witnesses who fail to comply with these rules will forfeit their privilege to testify.

Written statements.--Witnesses who are not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearings. These written statements should be submitted to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D. C. 20510, not later than Thursday, February 15, 1980.

Union Calendar No. 216

96TH CONGRESS
1ST SESSION

H. R. 2492

[Report No. 96-375]

To correct an anomaly in the rate of duty applicable to articles of apparel in which feathers or downs are used as filling and to extend until June 30, 1984, the duty provisions applicable to crude feathers and downs.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 28, 1979

Mr. JENKINS introduced the following bill; which was referred to the Committee on Ways and Means

JULY 24, 1979

Reported with amendments, committed to the Committee of the Whole House on the State of the Union and ordered to be printed

(Strike out all after the enacting clause and insert the part printed in italic)

A BILL

To correct an anomaly in the rate of duty applicable to articles of apparel in which feathers or downs are used as filling and to extend until June 30, 1984, the duty provisions applicable to crude feathers and downs.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 That part 6 of Schedule 3 of the Tariff Schedules of the
2 United States (19 U.S.C. 1202) is amended by inserting im-
3 mediately after headnote 2 of part 6 headnote the following
4 new headnote:

5 3. "For purposes of this subpart or of Schedule 7,
6 feathers or downs used as filling in articles of apparel
7 shall be disregarded in determining the component ma-
8 terial of chief value or chief weight in the apparel
9 item."

10 **SEC. 2.** Item 903.70 of the Appendix to the Tariff
11 Schedules of the United States (19 U.S.C. 1202) is amended
12 by changing the date shown in the "effective period" column
13 from "on or before June 30, 1979" to "on or before June 30,
14 1984".

15 **SEC. 3.** The amendments made by the first and second
16 sections of this Act shall apply to articles entered, or with-
17 drawn from warehouse, for consumption on or after the date
18 of enactment of this Act.

19 That items 903.70 and 903.80 of the Appendix to the Tariff
20 Schedules of the United States (19 U.S.C. 1202) are each
21 amended by striking out "On or before 6/30/79" and insert-
22 ing in lieu thereof "On or before 6/30/84".

23 **SEC. 2. (a)** The amendments made by the first section
24 of this Act shall apply to articles entered, or withdrawn from

1 warehouse, for consumption on or after the date of enactment
2 of this Act.

3 (b) Upon request therefor filed with the customs officer
4 concerned on or before the 90th day after the date of the en-
5 actment of this Act, the entry or withdrawal of any article to
6 which item 903.70 or 903.80 of the Tariff Schedules of the
7 United States (as in effect on June 30, 1979) applied and—

8 (1) that was made after June 30, 1979, and
9 before the date of the enactment of this Act, and

10 (2) with respect to which there would have been
11 no duty if any of the amendments made by the first
12 section of this Act applied to such entry or withdrawal,
13 shall, notwithstanding the provisions of section 514 of the
14 Tariff Act of 1930 or any other provision of law, be liqui-
15 dated or reliquidated as though such entry or withdrawal had
16 been made on the date of the enactment of this Act.

Amend the title so as to read: "A bill to extend until
July 1, 1984, the duty suspension on crude feathers and
downs."

96TH CONGRESS
1ST SESSION

S. 1258

To correct an anomaly in the rate of duty applicable to articles of apparel in which feathers or downs are used as filling and to extend until June 30, 1984, the duty provisions applicable to crude feathers and downs.

IN THE SENATE OF THE UNITED STATES

MAY 24 (legislative day, MAY 21), 1979

Mr. COCHRAN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To correct an anomaly in the rate of duty applicable to articles of apparel in which feathers or downs are used as filling and to extend until June 30, 1984, the duty provisions applicable to crude feathers and downs.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That part 6 of schedule 3 of the Tariff Schedules of the
4 United States (19 U.S.C. 1202) is amended by inserting im-
5 mediately after headnote 2 the following new headnote:
6 "3. For purposes of this part and of schedule 7,
7 feathers or downs used as filling in articles of apparel
-

1 shall be disregarded in determining the component ma-
2 terial of chief value or chief weight in the apparel
3 item."

4 SEC. 2. Item 903.70 of the Appendix to the Tariff
5 Schedules of the United States (19 U.S.C. 1202) is amended
6 by striking out "6/30/79" and inserting in lieu thereof "6/
7 30/84".

8 SEC. 3. The amendments made by the first section of
9 this Act shall apply to articles entered, or withdrawn from
10 warehouse, for consumption on or after the date of enactment
11 of this Act.

96TH CONGRESS
1ST SESSION

H. R. 2535

IN THE SENATE OF THE UNITED STATES

DECEMBER 4 (legislative day, NOVEMBER 29), 1979

Read twice and referred to the Committee on Finance

AN ACT

To amend the Tariff Schedules of the United States to suspend for a temporary period the duty on certain alloy tool steels used for making chipper knives.

- 1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That subpart B of part 1 of the appendix to the Tariff Sched-
 4 ules of the United States (19 U.S.C. 1202) is amended by
 5 inserting in numerical sequence the following new item:

911.29	Alloy steel containing, in addition to iron and by weight, not less than 0.48 nor more than 0.55 percent of carbon, not less than 0.20 nor more than 0.50 percent of manganese, not less than 0.75 nor more than 1.05 percent of silicon, not less than 7.25 nor more than 8.75 percent of chromium, not less than 1.25 nor more than 1.75 percent of molybdenum, none or not more than 1.75 percent of tungsten, and not less than 0.20 nor more than 0.55 percent of vanadium (provided for in item 608.52, part 2B, schedule 6).....	Free	No change	On or before 6/30/82
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1 **SEC. 2.** The amendment made by the first section of this
2 Act shall apply with respect to articles entered, or withdrawn
3 from warehouse, for consumption on or after the date of the
4 enactment of this Act.

Passed the House of Representatives December 3, 1979.

Attest: **EDMUND L. HENSHAW, JR.,**
Clerk.

By **BENJAMIN J. GUTHRIE,**
Assistant to the Clerk.

Union Calendar No. 308

96TH CONGRESS
1ST SESSION**H. R. 2537**

[Report No. 96-563]

To suspend until December 31, 1982, a portion of the duties on strontium nitrate.

IN THE HOUSE OF REPRESENTATIVES

MARCH 1, 1979

Mr. BAUMAN (for himself, Mr. FINDLEY, and Mr. HILLIS) introduced the following bill; which was referred to the Committee on Ways and Means

OCTOBER 26, 1979

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To suspend until December 31, 1982, a portion of the duties on strontium nitrate.

- 1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That subpart B of part 1 of the Appendix to the Tariff Sched-
 4 ules of the United States (19 U.S.C. 1202) is amended by

- 1 inserting immediately after item ~~012-10~~ in numerical se-
 2 quence the following new item:

019.15	Strontium nitrate (provided for in item 481.74, part 2C, schedule 4).....	Free	6% ad val.	On or before Dec. 31, 1980
907.45	Strontium nitrate (provided for in item 481.74, part 2C, schedule 4).....	Free	No change	On or before Dec. 31, 1981

- 3 SEC. 2. The amendment made by the first section of this
 4 Act shall apply with respect to articles entered, or withdrawn
 5 from warehouse, for consumption on or after the date of the
 6 enactment of this Act.

Amend the title so as to read: "A Bill to reduce until December 31, 1981, the duty on strontium nitrate."

98TH CONGRESS
1ST SESSION

H. R. 3046

To suspend the duty on freight cars until the close of June 30, 1981.

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1979

Mr. FITHIAN (for himself, Mr. VANDER JAGT, Mr. STANGELAND, and Mr. FINDLEY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To suspend the duty on freight cars until the close of June 30, 1981.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That subpart B of part 1 of the Appendix to the Tariff Sched-
 4 ules of the United States (19 U.S.C. 1202) is amended by
 5 adding, immediately after item 912.12, the following new
 6 item:

912.13	Assembled freight cars (provided for in item 690.15, subpart A, part 6, schedule 6)	Free	No change	On or before 6/30/81	"
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★

1 (b) The amendment made by subsection (a) shall apply
2 with respect to articles entered on or after the date of enact-
3 ment of this Act.

S. 1004

To suspend the duty on freight cars until the close of June 30, 1981.

IN THE SENATE OF THE UNITED STATES

APRIL 25 (legislative day, APRIL 9), 1979

Mr. BENTSEN (for himself, Mr. JAVITS, Mr. BAUCUS, Mr. DOLE, and Mr. MELCHER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To suspend the duty on freight cars until the close of June 30, 1981.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That subpart B of part 1 of the Appendix to the Tariff Sched-
 4 ules of the United States (19 U.S.C. 1202) is amended by
 5 adding immediately after item 912.12, the following new
 6 item:

912.13 Assembled freight cars (provided for in item 890.15, subpart A, part 6, schedule 6)	Free	No Change	On or before 6/30/81	".
--	------	-----------	-------------------------	----

1 (b) The amendment made by subsection (a) shall apply
2 with respect to articles entered on or after the date of enact-
3 ment of this Act.

96TH CONGRESS
1ST SESSION

H. R. 3317

IN THE SENATE OF THE UNITED STATES

NOVEMBER 28 (legislative day, NOVEMBER 15), 1979

Read twice and referred to the Committee on Finance

AN ACT

For the relief of Ohio Wesleyan University, Delaware, Ohio.

1 *Be it enacted by the Senate and House of Representa-*

2 *tives of the United States of America in Congress assembled,*

3 That the Secretary of the Treasury shall admit free of duty

4 one organ (including all accompanying parts and accessories)

5 for the use of Ohio Wesleyan University, Delaware, Ohio,

6 such organ being provided by Johannes Klais Orgelbau K.G.,

7 Bonn, Federal Republic of Germany.

8 SEC. 2. If the liquidation of the entry for consumption of

9 any article subject to the provisions of the first section of this

10 Act has become final, such entry shall be reliquidated and the

1 appropriate refund of duty shall be made, notwithstanding
2 section 514 of the Tariff Act of 1930 (19 U.S.C. 1514).

Passed the House of Representatives November 27,
1979.

Attest: EDMUND L. HENSHAW, JR.,
Clerk.

By BENJAMIN J. GUTHRIE,
Assistant to the Clerk.

Union Calendar No. 310

96TH CONGRESS
1ST SESSION**H. R. 3591**

[Report No. 96-565]

To reduce temporarily the duty on titanium sponge.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 1979

Mr. VANDER JAGT introduced the following bill; which was referred to the
Committee on Ways and Means

OCTOBER 26, 1979

Reported with an amendment, committed to the Committee of the Whole House
on the State of the Union, and ordered to be printed

(Omit the part struck through and insert the part printed in italic)

A BILL

To reduce temporarily the duty on titanium sponge.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That subpart B of part ~~2~~ 1 of the Appendix to the Tariff
- 4 Schedules of the United States (19 U.S.C. 1202) is amended

1 by adding in proper numerical sequence the following new
 2 item:

911.50	Titanium sponge (provided for in item 629.15, part 2J, schedule 6).....	9% ad. val.	No change	On or before 8/30/81
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3 **SEC. 2.** The amendment made by the first section of this
 4 Act shall apply with respect to articles entered, or withdrawn
 5 from warehouse, for consumption on or after the date of the
 6 enactment of this Act.

96TH CONGRESS
1ST SESSION

H. R. 3755

IN THE SENATE OF THE UNITED STATES

NOVEMBER 28 (legislative day, NOVEMBER 15), 1979

Read twice and referred to the Committee on Finance

AN ACT

For the relief of St. Paul's Episcopal Church, Riverside,
Connecticut.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Secretary of the Treasury shall admit free of duty
4 the components of the tracker pipe organ which were built
5 (pursuant to contract with Gerhard Hradetzky of Austria) for
6 St. Paul's Episcopal Church, Riverside, Connecticut, and
7 which entered at New York, New York, on January 19,
8 1979 (entry number 266710).

1 **SEC. 2.** If the liquidation of the entry for consumption of
2 any article subject to the provisions of the first section of this
3 Act has become final, such entry shall be reliquidated and the
4 appropriate refund of duty shall be made, notwithstanding
5 section 514 of the Tariff Act of 1930 (19 U.S.C. 1514).

Passed the House of Representatives November 27,
1979.

Attest: **EDMUND L. HENSHAW, JR.,**
Clerk.

By **BENJAMIN J. GUTHRIE,**
Assistant to the Clerk.

H. R. 4309

IN THE SENATE OF THE UNITED STATES

DECEMBER 4 (legislative day, NOVEMBER 29), 1979

Read twice and referred to the Committee on Finance

AN ACT

To amend the Tariff Schedules of the United States to provide for the proper classification of cold finished steel bars; and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) headnote 3(i) to subpart B of part 2 of schedule 6 of
4 the Tariff Schedules of the United States (19 U.S.C. 1202) is
5 amended by striking out "or cut to length" each place it
6 appears therein.
- 7 (b) The amendments made by subsection (a) shall apply
8 with respect to articles entered, or withdrawn from ware-
9 house, for consumption on or after March 1, 1980.

1 SEC. 2. (a) Subpart B of part 2 of schedule 6 of such
2 Tariff Schedules is amended by striking out item 608.50 and
3 inserting in lieu thereof the following:

606.87	Cold formed: Finished, drawn, nontubular product, of any cross-sectional configuration, cut to length, and not over 0.703 inch in maximum cross-sectional dimension and containing not over 0.25 percent by weight of carbon	5% ad val.	0.125¢ per lb. +20% ad val.
606.89	Other	7.5% ad val.	0.125¢ per lb. +20% ad val.

4 (b) The amendment made by subsection (a) shall apply
5 with respect to articles entered, or withdrawn from ware-
6 house, for consumption on and after March 1, 1980, and be-
7 fore January 1, 1982.

8 SEC. 3. (a) Effective January 1, 1982, subpart B of part
9 2 of schedule 6 of such Tariff Schedules is amended by strik-
10 ing out items 606.87 and 606.89 (as added by section 2(a) of
11 this Act) and inserting in lieu thereof the following:

606.88	Cold formed.....	7.5% ad val.	0.125¢ per lb. +20% ad val.
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12 (b) The amendments made by subsection (a) shall apply
13 with respect to articles entered, or withdrawn from ware-
14 house, for consumption on or after January 1, 1982.

Passed the House of Representatives December 3, 1979.

Attest: EDMUND L. HENSHAW, JR.,

Clerk.

By BENJAMIN J. GUTHRIE,

Assistant to the Clerk.

96TH CONGRESS
1ST SESSION

S. 1275

To amend the Tariff Schedules of the United States to provide for the proper classification of cold finished steel bars; and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 5 (legislative day, MAY 21), 1979

Mr. BAYH, (for himself, Mr. RANDOLPH, and Mr. HEINZ) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Tariff Schedules of the United States to provide for the proper classification of cold finished steel bars; and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That headnote 3(i) to subpart B of part 2 of schedule 6 of the
4 Tariff Schedules of the United States is amended by deleting
5 the words "or cut to length" wherever they appear therein.

6 SEC. 2. The amendment made by the first section of this
7 Act shall apply with respect to articles entered, or withdrawn
8 from warehouse, for consumption on or after the date of en-
9 actment of this Act.

96TH CONGRESS
1ST SESSION

H. R. 4738

To reduce temporarily the duty on titanium sheet, plate, and other rolled titanium products.

IN THE HOUSE OF REPRESENTATIVES

JULY 11, 1979

Mr. PHILIP M. CRANE introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To reduce temporarily the duty on titanium sheet, plate, and other rolled titanium products.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That subpart B of part 2 of the Appendix to the Tariff Sched-
 4 ules of the United States (19 U.S.C. 1202) is amended by
 5 adding in proper numerical sequence the following item:

911.52	Titanium sheet, plate and other rolled titanium products (provided for in item 699.20, part 3J, schedule 6)	9% ad. val ...	No change ...	On or before 6/30/81.	..
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6 SEC. 2. The amendment made by the first section of this
 7 Act shall apply with respect to articles entered, or withdrawn

1 from warehouse, for consumption on or after the date of the
2 enactment of this Act.

96TH CONGRESS
1ST SESSION

H. R. 6089

To prohibit until January 1, 1982, the conversion of the rates of duty on certain unwrought lead to ad valorem equivalents.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 11, 1979

Mr. FRENZEL (for himself, Mr. GIBBONS, Mr. MOORE, and Mr. VENTO) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To prohibit until January 1, 1982, the conversion of the rates of duty on certain unwrought lead to ad valorem equivalents.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That notwithstanding any other provision of law or any ex-
 4 ecutive action having the force and effect of law, until Janu-
 5 ary 1, 1982, the column 1 rate of duty for unwrought lead
 6 other than lead bullion (provided for in item 624.08 of the
 7 Tariff Schedules of the United States) shall be 1.0625 cents
 8 per pound on the lead content, and the column 2 rate of duty
 9 for any such article shall be 2.125 cents per pound on the

1 lead content. Any conversion to ad valorem equivalents of
2 specific rates of duty on articles provided for in such item
3 624.03 that would, but for this Act, have taken effect on
4 January 1, 1980, shall apply with respect to articles entered,
5 or withdrawn from warehouse, for consumption after Decem-
6 ber 31, 1981.

96TH CONGRESS
1ST SESSION

S. 1851

To amend the Tariff Act of 1930 to continue the present duty-free status of repair parts, materials, and equipment purchased in Panama for, and repairs made in Panama to, vessels documented under the laws of the United States.

IN THE SENATE OF THE UNITED STATES

OCTOBER 1 (legislative day, JUNE 21), 1979

Mr. CRANSTON introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Tariff Act of 1930 to continue the present duty-free status of repair parts, materials, and equipment purchased in Panama for, and repairs made in Panama to, vessels documented under the laws of the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That section 466 of the Trade Act of 1930 (19 U.S.C. 1466)
4 is amended by adding at the end thereof the following new
5 subsection:

6 “(g) The duty imposed under subsection (a) shall not
7 apply to the cost of repair parts, materials, and equipment

2

1 (including fish net and netting) purchased in Panama or to

2 the cost of repairs made in Panama.”.

96TH CONGRESS
1ST SESSION**S. 1852**

To provide for a temporary suspension of duty with respect to certain peppers.

IN THE SENATE OF THE UNITED STATES

OCTOBER 1 (legislative day, JUNE 21), 1979

Mr. DECONCINI introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for a temporary suspension of duty with respect to certain peppers.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That subpart B of part 1 of the Appendix to the Tariff Sched-
 4 ules of the United States (19 U.S.C. 1202) is amended by
 5 adding, in numerical sequence, the following new item:

" 903.58	Peppers, anabeim, 6-4, long green (provided for in item 137.10, part 8A, schedule 1).....	Free	No change	On or before 6/30/89	".
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6 **SEC. 2.** The amendment made by the first section of this
 7 Act shall apply with respect to articles entered, or withdrawn

1 from warehouse, for consumption after the date of enactment

2 of this Act.

Senator RIBICOFF. The committee will be in order.

This hearing is being held to receive testimony on a number of miscellaneous tariff bills. Oral presentations should be summaries of the main points which the witnesses wish to make and each witness has been informed that there will be a time availability of 5 minutes.

If the witness has a more complete written statement it will be incorporated in the record of the hearing as if read.

The first witnesses will be a panel consisting of Mr. Ross and Mr. Denison to present testimony on H.R. 3046.

Please proceed, gentlemen.

Mr. Ross. Good morning, Mr. Chairman. My name is Stuart Ross and I am the general counsel for the Railway Progress Institute.

I would ask that my statement be submitted and accepted into the record.

Senator RIBICOFF. Without objection.

STATEMENT OF STUART P. ROSS, GENERAL COUNSEL, RAILWAY PROGRESS INSTITUTE

Mr. Ross. I will attempt to summarize it briefly.

We are testifying in opposition to S. 1004, a bill which would waive the 18-percent import duty on railcars into the United States. We believe that this legislation is uncalled for under general principles and uncalled for specifically in this situation.

With respect to the introduction of this legislation, it was introduced by Senator Bentsen in the Senate in April of 1979. I believe that the genesis for this legislation was a particular situation dealing with the Mexican freight car industry. Mexico as a developing nation had enjoyed, in previous years, exemption from the 18-percent duty because they had been importing into the United States less than 50 percent of all freight cars which were imported.

In March of 1978, as a result of the operation of the law, and their importation of approximately 95 percent of all cars which were imported, Mexico lost that waiver from the duty.

Over the period of the last several years, there have been some hearings which focused on this situation. We are informed that during 1979, Mexico did not import 50 percent of all freight cars which were imported into the United States and we are of the belief that Mexico will become the beneficiary of the developing country exemption which would mean that they would be exempt from the 18-percent duty.

Therefore, we believe that the specific need which gave rise to this legislation insofar as it related to Mexico was no longer present.

There are several other points which we believe more generally address this subject. I represent domestic railcar builders, an extremely cyclical industry. Presently that industry has a backlog of orders of approximately 119,000 cars.

But, as recently as 1976, there were only 30,000 cars ordered, and in 1975, 36,000 cars were ordered.

Historically, when you go back as far as 1966, the average yearly order was 66,000 cars. Present domestic capacity is approximately 90,000 cars.

All orders, I might add, are cancelable, and when there has been an economic downturn, as has been predicted by many of our economic seers, the industry has suffered.

So we believe, based upon both the specific need, which we believe the legislation was introduced for, and general principles which would protect our domestic industry, that this legislation is unnecessary.

I want to be mindful of my colleagues' time, so I will stop right now.

Senator RIBICOFF. Mr. Denison?

Mr. DENISON. Thank you, Mr. Chairman.

STATEMENT OF RAY DENISON, DIRECTOR OF LEGISLATION, AFL-CIO

Mr. DENISON. I am Ray Denison, director of legislation for the AFL-CIO.

The AFL-CIO and the Railroad Labor Executive Association opposes this bill to suspend tariffs on imports of freight cars. We believe the bill could permanently export U.S. production and jobs from an industry which is essential for U.S. energy and agricultural needs.

Freight car production directly affects the jobs of car men, electricians, machinists, boilermakers, steelworkers, and many other workers, as well as miners and farmers whose output is shipped on the cars.

I might point out that the most recent unemployment statistics that were revealed last week show that there is a rise now in unemployment among adult males, particularly in the blue-collar field, where unemployment has risen now from 7.2 to 8 percent and undoubtedly some of that would be felt in this industry.

It is our view that the suspension of this duty will not produce one additional freight car and will not move 1 additional ton of cargo. There is no way any foreign supplier can increase his capacity through this period and the duty suspension will simply give railroad car lessors and car purchasers a multimillion-dollar windfall.

This freight car producing industry is a stable, efficient industry that provides 65,000 to steelworkers, machinists, electrical workers, and others and has met all previous shortages and is now expanding to meet U.S. need.

Whenever a duty suspension is voted it has been historically a clear signal to multinational corporations and foreign producers to expand their capacity in that industry. It also has been a signal to domestic firms to abandon any expansion plans and to consider relocation abroad.

This duty suspension bill is not for the relief of Mexico, but would be a bonanza to Canada and other exporters of railway equipment to the United States, including Romania, Brazil, and Korea and could, in the long run, actually hurt the balanced United States-Mexican trade.

The United States is now buying every freight car that Mexico has for export at the 18-percent duty. Mexico's carbuilding industry is booked to capacity and so is Canada's and, in fact, Mexico is now

receiving critically scarce freight car parts from the United States, reducing the U.S. ability to manufacture additional freight cars.

So, for these reasons and others indicated in my testimony, the AFL-CIO and the Railroad Labor Executives Association opposes this bill and, attached to my testimony, is a list of shops and facilities throughout the United States capable of expanding and enlarging on any orders that might be received, if there is a certainty that we have a continued, stable industry.

Thank you.

Senator RIBICOFF. Thank you very much.

[The prepared statements of the preceding panel follow. Oral testimony continues on p. 52.]

STATEMENT OF STUART PHILLIP ROSS, GENERAL COUNSEL, RAILWAY PROGRESS INSTITUTE

My name is Stuart Phillip Ross. I am a partner in the law firm of Hogan & Hartson of Washington, D.C., and serve as General Counsel for the Railway Progress Institute.

The Railway Progress Institute (RPI) is the national association of the rail and rail rapid transit equipment and supply industry. We represent approximately 150 of the country's leading industrial concerns which provide railroads and transit authorities with locomotives, cars, component parts, tracks, cross ties, signals, just about everything that goes into making a railroad or rail rapid transit system.

RPI supports retention of existing law which imposes an 18 percent import duty on railroad freight cars. Supporters of S. 1004, a bill to suspend this duty until June 30, 1981, say the legislation is needed to help alleviate the shortage of freight cars in the United States. Making reference to an unusually large backlog of orders, they say that domestic freight car producers cannot meet the demand for new cars in a timely fashion. Despite the backlog, which the industry views as very soft, RPI believes enactment of the legislation will have adverse effects on the U.S. car building industry and its employees. We also believe that waiving the import duty will have little effect on the total number of freight cars delivered in this country. In considering this proposed legislation, we respectfully urge the Subcommittee to note the following points:

BACKLOG OF U.S. INDUSTRY

The freight car building industry in the United States currently has a backlog of orders of approximately 119,000 cars. There is concern in our industry over the firmness of orders currently committed. While it is difficult to assess the solidity of such orders, very few orders are non-cancelable; and history proves that a downturn in railroad traffic will result in cancellation of some of the backlog. A spotcheck of several of our car builder members last week indicated new car orders have slowed down considerably, and cancellations of orders already placed are occurring. Space is available for purchasers wishing delivery in 1980. There is an excess of box cars in the fleet today. Auto and steel traffic is down, and the effect of the recent Russian grain embargo on railroad traffic is still unclear. You can well understand that the freight car building industry considers this backlog as very soft, and they predict the backlog of orders will decrease much more rapidly than deliveries would indicate.

CAPACITY OF U.S. INDUSTRY

U.S. freight car builders and their component parts suppliers are victims of a highly cyclical market. Orders for freight cars in 1978 totaled nearly 130,000 units; and while twelve-month statistics are not available as yet, we estimate about 110,000 orders for new cars in 1979. However, three years ago in 1976 only 36,000 cars were ordered; and the year before that 35,300 orders were placed. These peaks and valleys are a recurring trend in our industry. Obviously, such severe business cycles make long-range planning impossible, operations less orderly, and cause hardships for employees who, every few years, are furloughed because of lack of work. Freight car orders resulting in shipments have averaged less than 65,000 a year for the years 1966 through 1978. The U.S. industry including both private and railroad shops have an estimated production capacity of 85,000 to 90,000 cars a year, more than ample to satisfy demand; more than ample, in fact, to satisfy peak demands in all but five of the years since 1966. The U.S. car building capacity

exceeds the availability of certain components; thus, it is directly related to the supply of the critical components such as truck castings, bearings, couplers, and air brakes. Since foreign builders are dependent, to a certain extent, on U.S. suppliers for many of these critical component parts, it is not likely that ordering cars from a foreign manufacturer would alleviate the current freight car shortage. Since there is a limited supply of component parts available, those that go to foreign builders would not go to U.S. builders and would reduce their building capacity. Furthermore, there is currently a resurgence of railroad rolling stock maintenance now due in part to the infusion of capital from federal sources as well as that indirectly offset by leasing companies.

EMPLOYMENT IMPACT

We touched briefly on the detrimental effect this legislation would have on U.S. employment. The import of only 3,000 freight cars means the export of as many as 625 jobs or 1.2 million hours of work. The lost jobs not only cause hardship for U.S. employees affected but also mean payment of less federal, state, and local taxes and a dampening of the economies of the communities in which affected workers live. Fully constructed cars imported from Canada and Mexico are only part of the problem. Duty reduction would also create an argument for waiving the import duty on component parts further compounding the problems of that segment of U.S. railway supply companies and their employees. Furthermore, importation of foreign cars will exacerbate the problems already experienced by the U.S. steel industry by reducing the demand for U.S.-produced steel plates, sheets, and structural shapes as well as other basic materials sourced in America.

BALANCE OF PAYMENTS

Although the U.S. balance of payments deficit is improving, it will continue to be a problem as long as demand for imported oil remains high. Our country will not benefit from legislation that will exacerbate the balance of payments deficit. Encouraging the purchase of foreign-built cars will slow down the improvement of U.S. balance of payments.

CONCLUSION

The Railway Progress Institute has considered this issue several times. Both the RPI Rolling Stock Committee, whose membership includes major U.S. freight car builders and components suppliers, and also the RPI Executive Committee, which sets RPI policy, concluded that existing U.S. law imposing an 18 percent duty on imported railroad freight cars should remain unchanged. There is serious concern that, if the duty is removed and a precedent is set, it will be very difficult to have the duty reimposed regardless of the market conditions in the U.S. If cars are to be imported into this country, the existing duty should be paid, just as duty must be paid when U.S.-built freight cars or components are sold in foreign countries.

As a point of further consideration, it would be grossly unfair to reduce U.S. tariffs without there first being a corresponding drop in Mexican and Canadian duties. While this bill contemplates waiving our import duty causing harm to the U.S. industry and its employees, I know of no reciprocal offer from Canada or Mexico to waive duties on freight cars imported into those countries.

In today's market conditions, car orders are regularly being shopped in Canada; and even the Mexican government, which owns not only the Mexican rail car building plant but the national railroad as well, last year was seeking quotes on cars from U.S. builders because there was no car building capacity available to them at that time.

It should be stated that freight car building, as in any heavy manufacturing business, is based on economies of scale. To upset those economies will ultimately result in the U.S. railroads having to pay a higher price for their cars. Long-term, U.S.-built cars will remain more economical if employment and the demand for componentry are maintained at consistent levels.

I would like to make one final point. It is our understanding this bill was originally introduced in the 95th Congress to help Mexico which lost its duty exemption for railroad freight cars granted under the Generalized System of Preferences.

There are certain competitive need limits pertaining to the Generalized System of Preferences. These limits provide that any beneficiary country that exports to the United States during the most recent calendar year, 50 percent of total U.S. imports of the article or the value of its exports exceeds \$25 million adjusted annually to reflect changes in the Gross National Product is to cease receiving duty-free treatment under the GSP for that article. In 1977, Mexico exceeded the 50 percent limit

for railroad freight cars; and in March 1978, the 18 percent duty was reimposed for railroad freight cars.

These competitive need limits are reviewed annually by the Trade Policy Staff Committee of the Office of the Special Representative for Trade Negotiations. It is our understanding that Mexico did not exceed those limits in 1979 and will probably become eligible for duty-free treatment for railroad freight cars in 1980.

With this duty waiver for Mexico being reimposed in 1980 under existing law, the original goal of the sponsor of the legislation will have been met. Special legislation such as S. 1004, which would give duty-free benefits to all countries wishing to export railroad freight cars into the U.S., is not needed.

RPI strongly urges this Subcommittee reject S. 1004, passage of which would only add to the uncertainties of our cyclical industry.

[From the Washington Post, Sept. 5, 1979]

AUTO-TRAIN GETS 10-YEAR RAIL CAR JOB

Auto-Train Corp. announced yesterday it has signed an agreement to manufacture 10,000 covered railroad hopper cars over the next 10 years for PLM Inc., a San Francisco rail car leasing company.

Auto-Train President Eugene Kerik Garfield said his company will receive at least \$60 million under the contract, and PLM officials said the total value of the order could exceed \$400 million.

The order is the first to be placed with Auto-Train's newly organized subsidiary, Railway Services Corp., which has yet to build its first freight car.

The agreement calls for Auto-Train to assemble the first 1,000 cars from "kits" of parts supplied by PLM. After that Auto-Train may manufacture the car bodies for the remaining 9,000 cars, the company said.

Under the contract, PLM is to pay Auto-Train \$6,000 for assembling each car for PLM, and about \$40,000 for each car it builds from scratch.

Auto-Train's announcement said the cars are to be built in a Seaboard Coast Line Railroad plant in Portsmouth, Va. that Auto-Train has leased with an option to purchase.

Under the contract, however, Auto-Train must by Nov. 30 "use its best efforts" to invest \$750,000 in the Portsmouth plant to prepare it for operation.

The announcement said Auto-Train expects to raise that money through a new public stock offering some time in the next three months. Auto-Train executives have discussed several possible methods of raising money for the financially troubled railroad recently, the latest of them a plan to sell new common stock.

The Interstate Commerce Commission, however, has indicated it will not approve issuance of any new securities by Auto-Train until the company repays more than \$800,000 in refunds due to passengers.

Last week, the Seaboard agreed to give Auto-Train until the first of the year to pay overdue charges due Seaboard for use of tracks and train crews to carry the Auto-Train from Lorton, Va., to Florida.

That extension also requires Auto-Train to come up with large amounts of cash before the end of the year.

The hopper contract was announced late yesterday, after increased trading in Auto-Train's shares had pushed the price of the stock from $3\frac{1}{2}$ to 4 on the American Stock Exchange. The stock closed at $3\frac{3}{4}$ per share, up $\frac{1}{2}$ and was the Amex's biggest percentage gainer, as the value of each share increased by 20 percent.

The stock has bounced back and forth between \$2 and \$7 a share in the past few months, propelled by positive and negative reports about the company's financial problems. Because its railroad business has never produced consistent profits, Auto-Train several months ago said it was diversifying into rail car maintenance, repair and construction.

PLM Inc., for which Auto-Train is to become the exclusive hopper car supplier, was organized in 1972 to arrange the sale and lease of freight cars, most often as a tax-sheltered investment for high-income persons. The company has leased 1,700 freight cars since it was organized.

RAILWAY AGE

1979 Directory of Contract Car Repair Facilities

This directory lists 119 companies in the United States and Canada with a total of 216 shops that specialize in the repair, maintenance, and overhaul of rail freight cars and passenger cars on a contract basis. A few companies requested omission because of a work backlog in their shops.

Shop locations, listed below by state or province and city, give the company name plus reporting marks (in parentheses) of railroads serving the shop and letters designating special services performed at the shop. A map (next page) shows cities with shops. Alphabetical listing of companies, with main office address and phone number, begins on page 58.

Key to services

A	All normal freight car repairs	FRA FRA inspection T AAR-certified tank car facilities (for facility capability by tank car category and material group; see AAR Specification for Tank Cars, Appendix B, Table B-1)
R	Rebuilding	
W	Wreck repairs	
P	Passenger cars	
RT	Rapid transit cars	
C	Coating applications	

Shop locations

ALABAMA

Mobile—Quick Car Div., FreightMaster, (SCU, L&N, COC, SLSF) A, R, W, FRA, C, railcar preventive maintenance.
Ozark—Evans Railcar Div., Evans Products Co. (SCL) A, R, W, FRA, C, T.

ARIZONA

Tucson—Pacific Fruit Express Co. (SP) A, R, W, FRA, C.

ARKANSAS

Camden—TransTank Car Corp. (EACH) A, R, FRA, W, T.
East Camden—North American Car Corp. (EACH) A, W, FRA, linings.
El Dorado—Griffing Railway Repair Co. (MP, RJ) A, R, W, FRA, C.
Ferdys—Tanshank Car Corp. (RI) A, R, W, FRA.
Tontitown—North American Car Corp. (MP) A, R, W, FRA, T, linings.

CALIFORNIA

Berkeley—Berwind Railway Service Co. (SP) A, R, W, FRA, C, T.
Deppert—Raisgard/Lundeen, Inc. (AT&SF) A, W, R, FRA, C, T.
El Segundo—Union Tank Car Co. (AT&SF, SP) A, FRA, T.
Livermore—Los Equipment Co. (MP) Repair cryogenic tanks.
Mira Loma—Calpro Co. (UP) A, R, W, FRA, North American Car Corp. (MP) A, R, W, FRA, C, linings.
Orville—Bolina Rail Car Co. (MP, UP) A, R, W, FRA, C, T.
Roseville—Pacific Fruit Express Co. (SP) A, W, FRA.
Sacramento—Acme Reinforced Plastics Co. (SP, MP) Urethane car insulation, fiberglass door & side linings, car door assembly & insulation.
San Bernardino—Bradley Engineering Co., Inc. (SP) A, R, W, FRA, P, C. Builds special railcars.
West Coast—General American Transportation Corp. (SP) R, W, FRA, C, T.
Wilmington—Berwind Railway Service Co. (SP) A, W, FRA, C.

COLORADO

Golden—Transportation Service Centers, Inc. (CB) A, R, W, FRA, C, T, mobile repairs, air bag repairs.
Denver—Transportation Service Centers, Inc. (CB) A, R, W, FRA, C, T.
Pueblo (Anandale)—Rail Car Corp. (AT&SF, MP) A, W, R, FRA, C, hopper car cleaning.
Pueblo—Quick-Car/Pueblo Co. (AT&SF, MP, CB, D&RG) A, R, W, FRA, railcar preventive maintenance.
Sterling—Morrison Railway Supply Corp. (MP) A, R, W, FRA.

DELAWARE

Wilmington—Machron Industries, Inc. (Conrail) A, R, W, FRA, P, RT, AAR cert. wheel shop. Manufactures car parts, assemblies freight & passenger cars, refurbishes passenger cars & work equipment.
Trans Car Services Co. (Conrail, B&O) A, R, W, FRA, T, exterior coatings, special paintings.

FLORIDA

Jacksonville—Fruit Growers Express Co. (SCL) A, R, W, FRA, exterior painting, linings, wheel replacements, air brake cleaning, roller bearing replacements.
Southeastern Specialties, Inc. (SCL) A, R, W, FRA, C.
Maitland—B V Freight Car Services, Inc. (SCL) A, mobile repairs, specializing in outfit assembly, side & roof sheets, top hatch cover repairs.
Rubens—Garrett Railroad Car & Equipment, Inc. (SCL) A, R, W, FRA, painting.
Sanford—Railway Services & Supply (SCL) A, R, W, FRA, P, wheel shop.

GEORGIA

Atlanta—Davidson-Kennedy Co. (SOU) A, W, FRA.
Southern Iron & Equipment Mfg. Operations, Evans Railcar Div. (GA) A, R, W, FRA, air brake shop.
Cartersville—Itel Railcar, Inc. (L&N) A, R, W, FRA.
Chamblee—Southern Iron & Equipment Mfg. Operations, Evans Railcar Div. (SOU) A, R, W, FRA, air brake shop.

Death—J.J. Finnigan Industries, Inc. (SOU) A, R, W, FRA, new cars.
Macon—Tranco, Inc. (SOU) A, R, W, FRA, C.
Waycross—General American Transportation Corp. (SCL) R, W, FRA, T.

ILLINOIS

Alton (E. St. Louis)—TWR Freight Car Repair Co. (A&S) A, R, W, FRA, P, C, T. General Railway Equipment & Services, Inc. (R) A, W, FRA.
Blue Island—U.S. Railway Equipment Mfg. Operations, Evans Railcar Div. (IHB, RJ) A, R, W, FRA, C.
Burlington—Purdy Co. (IHB) AAR-cert. wheel & axle shop (roller & friction bearings), coupler & yoke repair shop, AB, A&D brake shop.
Chicago—Chicago Freight Car Co. (CPW&L) A, FRA.
General Electric (BRC) P, RT.
Pulman-Standard (R) A, R, FRA.
Rescar, Inc. (B&O) A, R, W, FRA, C, mobile repairs.
Chicago Heights—Tank Lining Corp. (CHT) C, T, linings.
Thral Car Mfg. Co. (CHT) A, R, W.
Intralata Rail Car Service Co. (MP, CHT) A, R, W, FRA, C, special modifications.
Chicago Ridge—North American Car Corp. (BOCT) A, R, W, FRA, T, linings.
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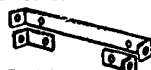
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STATEMENT OF RAY DENISON, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN
FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

The AFL-CIO and the Railway Labor Executive Association oppose H.R. 3046 and S. 1004, bills to suspend tariffs on imports of freight cars until 1981. We believe these bills could permanently export production and jobs from a U.S. industry which is essential for U.S. energy and agricultural needs.

The United States last year concluded extensive tariff negotiations with trading partners in the Multilateral Trade Negotiations (MTN) to lower U.S. tariffs in exchange for reductions abroad. The tariff on freight cars was not reduced. Our trading partners have not reduced their tariffs. H.R. 3046 and S. 1004 would amount to unilateral action for an emergency that does not exist. In our view, it could further weaken the potential for expanding a necessary industry which has already been eroded by a variety of U.S. tax benefits and by imports.

Freight car production directly affects the jobs of car men, electricians, machinists, boilermakers, steelworkers and many other workers, as well as miners and farmers, whose output is shipped on the cars. The integrated industry affects the jobs of maintenance and service employees, whose skills are essential to maintain an effective rail system and rail repair and production. The attached list of repair facilities throughout America shows how many shops are available now. Many of these have the potential for railcar production—a growing need for America's railroad future.

In June 1979, some 63,000 jobs were reported in rail equipment production alone.

Imports of sets of components called "kits" are now finally assembled into freight cars by U.S. workers. The Washington Post recently reported that Autotrain will assemble kits in Portsmouth, Virginia. The source of those components was not reported. In addition, the Metal Trades Council of Pascagoula, Mississippi, reports that some of their members are assembling "kits" imported from Romania, in a subsidiary of Litton Industries, called Ingalls.

These reports show that the United States is increasing the import of components—rather than the full production of railcars, when the United States has both the competence and the need to develop a fully-integrated industry. This erosion of a U.S. industry is occurring at a time when other manufacturing jobs are shrinking—often because of energy-related problems which this industry can help reduce. Last month the number of unemployed jumped by 338,000, from 5.9 percent to 6.2 percent, with more bad news to come.

Freight car production underpins the U.S. transportation system, the jobs that go with it, and the ability of the U.S. to serve its national needs. The railroad industry is increasingly important in the future as the U.S. faces energy problems of the 1980's. The U.S. has the workforce to supply our needs.

In 1980, unemployment is rising. Freight car shipments are now declining as orders dry up. The reported "shortages" of freight cars only a few months ago are now seen as an invalid rationale for lowering U.S. tariffs. This is particularly true

because railroad union experts have made it clear that the U.S. has the capacity and the workers available to supply U.S. needs for freight cars.

The United States has been importing railroad freight cars at an accelerating rate despite the U.S. tariff. Foreign subsidies and low wages affect this flow of trade. According to the U.S. Government, imports in the first six months of 1979 from Canada and Mexico alone exceeded total imports for 1978. In 1977, the total import of freight cars was \$14,760,000; in 1978, \$60,016,000; and the first six months of 1979, \$93 million.

Mexico has continued to send railcars into the U.S. even though its special zero tariff preference ended in 1977, and imports have been rising from Canada and Mexico in 1979. There is no U.S. quantitative restraint on imports.

Both supplying countries have tariffs about as high as the U.S. H.R. 3046 and S. 1004, therefore, amount to a unilateral reduction of tariffs—however temporary—that would merely encourage productive expansion abroad of a product the U.S. needs and can produce.

But H.R. 3046 and S. 1004 would not, in our view, be "temporary" in its impact. Virtually the same bill was introduced in the last Congress with the same explanations of a vital need to supply "temporary" domestic shortages. The fact that the date for an end of "temporary" reduction in tariffs has been changed from June 1980 in the former bill to June 1981 in H.R. 3046 and S. 1004 does not mean that the same arguments will not be advanced next year to extend the tariff cut. The encouragement of the export of productive capacity through the special tariff break will lead to pressure in the future to make the tariff cut permanent. The result will be that other nations with protected markets will supply the U.S. industry needs if they have enough capacity to do that when the recession ends. At that point, with further depleted U.S. capacity and greater dependence on foreign suppliers, the U.S. price of the freight cars could be determined by the countries with the capacity. The U.S. shortage would become permanent. Then a permanent duty suspension would be sought because the U.S. cannot supply its need.

Tax avoidance, special incentives of foreign governments for exports, nationalized rail systems abroad, plus protected markets abroad are already encouraging expansion of foreign capacity.

The removal of the 18 percent tariff on imports of freight cars amounts to a tax break of that amount (in addition to export subsidies and investment incentives abroad, plus foreign tariff protection and other trade barriers).

What H.R. 3046 and S. 1004 would accomplish, in our view, therefore, is an extra tax break, courtesy of the U.S. Treasury, to expand production abroad of a product vitally needed in the United States.

For these reasons, Mr. Chairman, we urge the rejection of H.R. 3046 and S. 1004.

Senator RIBICOFF. H.R. 2537, Mr. Waidner.

STATEMENT OF ROBERT A. Waidner, PRESIDENT, STANDARD RAILWAY FUSEE CORP., ON BEHALF OF THE PYROTECHNIC SIGNAL MANUFACTURERS ASSOCIATION, ACCOMPANIED BY CARL JOHNSON, DIRECTOR OF SIGNAL PRODUCTS, OLIN CORP. AND RICHARD S. CHARIN, ESQ., PATTON, BOGGS & BLOW

Mr. Waidner. Mr. Chairman, I am Robert A. Waidner, president of the Standard Railway Fusee Corp. and a member of the Pyrotechnic Signal Manufacturing Association. Accompanying me today are Richard Charin of the law firm of Patton, Boggs & Blow, who represent us, as well as Carl Johnson, Olin Corp., who is particularly involved with his company in this particular legislation.

Strontium nitrate is the principal composition used in the manufacture of highway flares and fusees, both items being an essential to safety on the line of roads for the railroads and for the daily safety on the highways of the United States, especially the turn-pikes where the traffic is fast moving and difficult.

Many other uses for strontium nitrate within this country, especially for the military and all branches of the Navy, Air Force, and

ground forces. Also it has been very effective for backfiring torches in the case of forest fires.

These devices have been used for a long time and remain effective mainly because the burning of strontium nitrate emits rays when weather conditions are most adverse. It is the most effective device.

The suspension of the 6-percent ad valorem duty as set forth in House bill 2537 will serve the interests of national safety and will serve the interests of national security, also for the survival of employment in the industry and also will keep the price of the manufactured product at a lower level and therefore enable the users in the interests of safety, to use more of them.

It seems as though the higher the price gets, the tougher the dollars are to get into our safety budget.

As to the future of these signals, we believe that in the event of a national emergency that there would be a tremendous increase in the need for strontium nitrate. Too, as the Government forces the utilities to go to coal use in the utility plants, the railroads will increase their car loadings. Also, the Coast Guard has now promulgated regulations whereby pleasure craft will be required to use signals, the main ingredient of which is strontium nitrate.

So that it appears that the requirements for strontium nitrate in the United States will be getting higher and higher.

Now, as to the domestic supply, we only have one plant in the United States owned by the FMC Corp. located—and this plant is located in Modesta, Calif., far removed from where most of the strontium nitrate is used. It is a multiproduct plant and there has been switching in the past from one product to the other to the detriment of the production of strontium nitrate.

Therefore, we should encourage the supply from foreign sources, especially from friendly nations such as Switzerland, Germany, and Italy and thereby have the lowest landing price possible, which would be a constraint on prices within the United States.

The Federal Government could help us a great deal by eliminating this tariff.

Thank you.

Senator RIBICOFF. Thank you very much, gentlemen. I think I understand the problem.

Are there any questions?

Your testimony will be included in full. Thank you, gentlemen.

[The prepared statement of Mr. Waidner follows. Oral testimony continues on p. 68.]

STATEMENT
of
THE PYROTECHNIC SIGNAL
MANUFACTURING ASSOCIATION
Regarding
H.R. 2537
STRONTIUM NITRATE
DUTY SUSPENSION BILL
Before
THE SUBCOMMITTEE ON INTERNATIONAL TRADE
of the
COMMITTEE ON FINANCE
U.S. SENATE

Robert A. Waidner
President
Standard Railway Fusee Corporation
1209 Fidelity Building
Baltimore, Maryland 21201

Carl Johnson
Director of Signal Products
Olin Corporation
East Alton, Illinois 62024

Bart S. Fisher
Richard S. Charin
Patton, Boggs & Blow
2550 M Street, N.W.
Washington, D.C. 20037

Summary of Testimony of the Pyrotechnic
Signal Manufacturers Association on
H.R. 2537, Strontium Nitrate Duty Suspension
Bill, Before the Subcommittee on International
Trade of the Committee on Finance of the Senate

1. The Pyrotechnic Signal Manufacturers Association supports suspension of the present six percent ad valorem duty on strontium nitrate as provided in H.R. 2537.
2. There are no substitutes for flares and fuses in meeting the essential national security and transportation needs of the United States. There is no satisfactory substitute for strontium nitrate in the manufacture of flares and fuses.
3. There is a critical need to assure the continued availability of the necessary quantities of strontium nitrate to the U.S. pyrotechnic signal industry at reasonable prices. Unfortunately, there is only one domestic producer of strontium nitrate. Duty suspension legislation is essential to encourage non-domestic producers to supply the needs of the pyrotechnic signal industry and to keep the costs of these supplies at a competitive and reasonable level.
4. There are four reasons why the duty on strontium nitrate should be suspended:
 - (a) the maintenance of a strong pyrotechnic signal industry serves the national security of the United States;
 - (b) the viability of the domestic pyrotechnic signal industry would be assisted by the continued access of the U.S. industry to strontium nitrate at the lowest price possible;
 - (c) domestic employment would be increased by the reduction of the duty; and
 - (d) U.S. consumers, and efforts to control inflation in the United States, would benefit from lower-priced pyrotechnic products.

STATEMENT
of
THE PYROTECHNIC SIGNAL
MANUFACTURERS ASSOCIATION

Regarding
H.R. 2537
STRONTIUM NITRATE
DUTY SUSPENSION BILL
Before
THE SUBCOMMITTEE ON INTERNATIONAL TRADE
of the
COMMITTEE ON FINANCE
OF THE SENATE

I. Introduction

Mr. Chairman, my name is Robert Waidner, President of the Standard Railway Fusee Corporation, Baltimore, Maryland. I am submitting this statement on behalf of the Pyrotechnic Signal Manufacturers Association, an organization of businesses involved in the manufacture of pyrotechnic signal devices. I am accompanied by Carl Johnson, Director of Signal Products, Olin Corporation, and Richard S. Charin, of Patton, Boggs & Blow, Counsel for our Association.

The Pyrotechnic Signal Manufacturers Association believes that the present six percent ad valorem Column 1 duty on strontium nitrate (T.S.U.S. Item No. 421.74) should be eliminated. Therefore, we support H.R. 2537, a bill which, as amended, would suspend the six percent Column 1 U.S. tariff on strontium nitrate until December 31, 1982.

There are no substitutes for flares and fusees in meeting the important national security and transportation requirements of this country. Flares and fusees are necessities for both

military and commercial transportation and more importantly provide for the daily safety of rail and highway vehicles. Moreover, strontium nitrate accounts for 70% of the cost of the materials used in flares and fusees, and there is no satisfactory substitute for strontium nitrate in their manufacture.

Thus, there is an urgent need to ensure an adequate supply of strontium nitrate without the threat of damaging price escalation. Unfortunately, our industry has only one domestic producer of strontium nitrate. Duty suspension legislation, therefore, is critically important to encourage non-domestic producers.^{*/}

This legislation is needed to guarantee the fulfillment of continuing national security requirements; to provide adequate and necessary signalling for railroad operations; to provide warning devices for safer highway operations; to ensure a continuing supply of an essential tool in fighting forest fires; and lastly, to provide "alert" and "locate" signals for pleasure boats and fulfill the mandatory requirement for such items on U.S. ships.

II. Uses of Strontium Nitrate

Strontium nitrate is the principal chemical used in highway flares, railroad fusees, marine signals and military pyrotechnics.

^{*/} The United States agreed to a reduction of its duty on strontium nitrate from six (6) % ad valorem to 4.2% ad valorem at the Multilateral Trade Negotiations. However, even if this duty reduction is put into effect, it will be made effective in "stages" over an eight year period beginning January 1, 1980. Such a reduction is, therefore, not a solution to the immediate and urgent needs of the U.S. industry that uses this product.

Strontium nitrate imparts a brilliant crimson color to a warning device along with light emitting rays which bank up and become highly visible in rain, fog and snow. These qualities are essential for an effective pyrotechnic signal and there is no satisfactory substitute for strontium compounds in producing these effects in pyrotechnic devices.

Military Uses of Strontium Nitrate

The military usage of strontium nitrate is extensive, as set forth below:

Tracer Ammunition. A principal direct military use for strontium nitrate is in tracer ammunition. When tracer ammunition is used in intermittent rounds of fire, the accuracy of the aim of the weapon and person can be determined. The ability to determine accuracy is necessary to all fighting branches of the military in both day and night firing.

Military Flares. The second military use of strontium nitrate is in flares and signal devices. These flares are used for various tactical operations, for distress and rescue signalling, and for illumination. They are produced in various sizes, shapes, and types and usually are red flares to be used alone or with an ejecting or propelling device. A strontium flare used by military aviators will float on water, and may be used, for example, to expose the movements of enemy naval units. The Army possesses a

special mechanism to be attached to a rifle for firing flares. Also, there is a flare that can be released from a submerged submarine. Strontium nitrate comprises about forty percent (40%) of these formulations by weight.

Marine Distress Signals. Flares are used as marine distress signals by both the military and civilians. Warning flares are carried by all merchant vessels, and recently promulgated Coast Guard regulations now require most U.S. pleasure boats to carry aerial flares. In addition, the Coast Guard currently is preparing specifications that would enable it to put into effect regulations requiring pleasure boats to carry hand-held flares.

Marine distress signal equipment consists of hand-held flares, parachute flares, pistol propelled flares, and rockets for use on ships. Some of the larger distress rockets can be fired several hundred feet in the air, and some release showers of "stars". For small craft a hand-held distress signal is used.

Non-military Uses of Strontium Nitrate

Warning Devices. Strontium nitrate is used in red highway flares and railroad fusees. Flares are used in great quantity every day as warning devices by truck drivers, turnpike authorities, police and motorists. It should be noted that federal regulations recommend carriage in all power units operated in interstate commerce, and most states have laws or regulations regarding the use of use of these emergency protective devices within their states.

Nearly two-thirds of the states require that fuses be carried on certain types of vehicles.

Finally, and most importantly, railroads, as a safety necessity, use fuses for signalling in the yards and on the line of road.

Other Uses. Strontium nitrate is also used in other products such as:

- (a) Back-firing torches for fighting forest fires;
- (b) Lighting and warning flares used during repair of telephone lines;
- (c) Chromate coatings (as a rust proofing element);
- (d) Reagents used in chemical tests (highly purified form);
- (e) Fireworks

III. Rationale for Suspension of the Duty on Strontium Nitrate

There are four reasons why the duty on strontium nitrate should be suspended:

- (a) the maintenance of a strong pyrotechnic signal industry serves the national security of the United States;
- (b) the viability of the domestic pyrotechnic signal industry would be assisted by the continued access of the U.S. industry to strontium nitrate at the lowest price possible;
- (c) domestic employment would be increased by the reduction of the duty; and

- (d) U.S. consumers, and efforts to control inflation in the United States, would benefit from lower-priced pyrotechnic products.

The U.S. pyrotechnic signal manufacturing industry today is in a dangerously exposed position that not only threatens the continued viability of the industry, but also presents a potential national security hazard for the United States. This critical situation has resulted from the abandonment of the market by important suppliers of strontium nitrate, leaving pyrotechnic signal manufacturers in the intolerable position of having only one domestic supplier of this irreplaceable component of their product.

Prior to June 30, 1975, the domestic pyrotechnic signal industry depended on the Grasselli, New Jersey plant of the E.I. du Pont de Nemours Company to supply most of its requirements for strontium nitrate, and imported only minimal amounts of the product. However, on that date, Du Pont entirely discontinued the production of strontium nitrate, leaving the pyrotechnic signal industry dependent on a single U.S. supplier and on imports from foreign markets such as Canada, which had the potential to be a major producer of strontium nitrate for the world marketplace.

After Du Pont ended production of strontium nitrate, the two principal firms continuing to supply the pyrotechnic signal industry were FMC Corporation, a U.S. company with a plant located in Modesto, California, and Kaiser Aluminum and Chemical Corporation

with a plant located in Nova Scotia. However, in August 1976, Kaiser Aluminum announced the closing of its Nova Scotia plant, ending production of strontium nitrate.

It is extremely undesirable to have only one supplier of strontium nitrate to the U.S. pyrotechnic signal industry. Our Association believes that it is essential, at a minimum, to have two suppliers in the strontium nitrate business to supply the needs of the pyrotechnic signal industry. Fortunately, potential suppliers in other countries such as Italy, West Germany and Switzerland have shown an interest in supplying the U.S. pyrotechnic signal industry with strontium nitrate. We believe that suspension of the duty on strontium nitrate is essential in order that supplies from these sources can be obtained at a cost which will enable the continued operation of our industry.

In addition, suspension of the duty on strontium nitrate would permit our industry to offer flares and fuses to the American consumer at a lower price than would otherwise be the case. It is well known that the prices of many domestic goods are constrained fairly closely by the landed cost, including tariffs, of comparable foreign products.*/ Strontium nitrate is no exception to this general proposition. Suspension of the

*/ See Bell, "Some Domestic Price Implications of U.S. Protective Measures", in Commission on International Trade and Investment Policy Report to the President: United States International Economic Policy in an Interdependent World. Papers, Vol. 1, at 455 (1971).

duty will mean lower domestic prices of strontium nitrate for the U.S. pyrotechnic signal industry, which in turn will mean lower prices for flares and fuseses produced in the United States.

The Role of FMC as a Supplier

The reliability of FMC as a producer and supplier of strontium nitrate is an important issue. The Pyrotechnic Signal Manufacturers Association believes that its fears regarding the high prices and the potential non-availability of supplies that could well result from forced reliance on a single supplier are well grounded in the past history of the strontium nitrate market.

FMC has been an intermittent supplier of strontium nitrate in the past, and it is possible that it might again stop production or be unable to supply the pyrotechnic industry. In 1973 FMC switched out of strontium nitrate to increase its production of strontium carbonate, citing its belief that strontium carbonate, due to its usage in television tubes, would be a more profitable product in the long run. This move by FMC left the pyrotechnic signal industry with only one supplier of strontium nitrate, Du Pont, which in turn left the business in June 1975. It is difficult to believe that FMC would not again transfer out of strontium nitrate into a more profitable area should the fundamentals of the market change dramatically.

Secondly, FMC's Modesto product line includes barium carbonate, strontium carbonate, barium nitrate, and strontium nitrate. FMC is, therefore, a less reliable supplier than Du Pont, which produced only strontium nitrate. Now, without Kaiser Aluminum in the market, the situation is becoming a national security and safety hazard for the United States.

Our estimate of the average strontium nitrate consumption in the United States and Canada for the past five years is sixteen million pounds annually. Our estimate of industry-wide sales of fusees and flares in the United States for the past five years averaged 230,000 gross, or 33,000,000 pieces annually.

It is not unrealistic that the usage of flares and fusees will increase in the years ahead and require a higher production of strontium nitrate. First, the Federal Railway Administration has promulgated a strengthened Rule 99 effective as of August 1, 1977. Rule 99, or as it is commonly known, "The Flagging Rule," outlines procedures for protecting the rear of all railroad trains. If the railroads follow this strengthened rule, there will be an increased use of fusees throughout our railroad system. In addition, increased reliance on coal for domestic energy needs will necessarily increase railroad usage of fusees since railroads are the primary means of coal transportation.

Second, if marine distress signals are required on pleasure boats, as presently contemplated in regulations about to be promulgated by the U.S. Coast Guard, another market will be

considerably broadened. Accordingly, usage of twelve thousand tons of strontium nitrate is not improbable within the very near future.

Who will supply these needs? A report put out by FMC indicates that that company's strontium nitrate capacity irrespective of other chemicals is 10,000 tons: however, we consider this to be an unrealistic figure. A more representative figure for industry usage is the "preferred mix" number of 4,000-7,000 tons. The reason the "preferred mix" figure is more realistic is that FMC also produces three other chemicals at its Modesto plant, and it's highly unlikely that economic conditions would permit FMC to use its "maximum capacity" at any one time for strontium nitrate. FMC's actual or potential capacity to produce strontium nitrate is essentially irrelevant to a consideration of the problems of the pyrotechnic signal industry. The point of primary importance is that because of FMC's "monopoly" position as the domestic supplier of strontium nitrate, any decision regarding the level of production of this product rests entirely with FMC's management and is substantially independent of the requirements of the pyrotechnic industry. Most importantly, FMC's assurances that it can and will supply fully U.S. market demand for strontium nitrate have not proven reliable in the past.

Clearly, the pyrotechnic signal industry will have to turn to other sources of supply to meet its requirements, and, in fact, during the past several years the U.S. pyrotechnic signal industry has found it necessary to import strontium nitrate.

Apart from the question of FMC's unreliability as a supplier is its monopoly pricing of strontium nitrate since 1976. FMC in its position as the sole U.S. supplier of strontium nitrate has consistently raised the price of the product to the U.S. pyrotechnic signal industry. It should be emphasized that strontium nitrate represents two-thirds of the cost of the composition used in all pyrotechnic items produced. FMC's prices have progressed as follows:

<u>Date</u>	<u>Price for Strontium Nitrate</u> <u>(in cents per pound)</u> <u>F.O.B., Modesto, California</u>
January 1, 1976	\$.25
July 1, 1976	.28
January 1, 1977	.31
January 1, 1978	.33
January 1, 1979	.37
January 1, 1980	.41

Despite FMC's monopoly pricing of strontium nitrate, the domestic industry that manufactures flares and fuses has not raised its prices correspondingly. For example, since 1975, the Signal Products Division of Olin Corporation has increased its prices only about 45 percent, while FMC has increased its prices during this period 62 percent. Moreover, since 1973, Olin has had an eighteen percent decrease in its pyrotechnic signal products business, due largely to FMC's price increases. We estimate that about 500 workers are involved in the manufacturing of end products using strontium nitrate in the United States. Many of these jobs would be endangered if it became impracticable to import strontium nitrate into the United States.

National Security. Apart from the impact on the economy and employment, the national security interests of the United States should be considered. As noted above, the military forces of the United States need aerial flares, marine distress signals, and railroad fuses for their basic transportation operations. Moreover, in the event of a national security emergency there would be a greater need to move troops and supplies than normally exists. It is known to the industry that the greater density of traffic on highways and rail lines does require use of a disproportionately large number of flares. An indication of the massive use of flares in emergency situations can be obtained when it is realized that 3,000 flares have been used in one evening to guide traffic through the fog on the Pennsylvania Turnpike. To ensure access to foreign strontium nitrate supplies at the lowest prices possible for U.S. military forces, and for any national emergency that might arise, the U.S. Government should suspend the present duty on strontium nitrate as provided in H.R. 2537.

IV. Conclusion

The U.S. pyrotechnic signal industry is of critical importance to the military, transportation, and overall national security needs of the United States. The continued productive capacity of this industry is totally dependent on access to supplies of strontium nitrate at reasonable prices. The principal way in which the U.S. Government can contribute to the economic

well-being of this important industry is by assuring that strontium nitrate is available to the industry on a competitive basis. This goal can be achieved by suspending the current six percent duty on strontium nitrate, thereby allowing foreign producers to more effectively compete with the single domestic supplier in this market.

Senator RIBICOFF. H.R. 6089. Is there a spokesman here?

STATEMENT OF LAWRENCE E. BLANCHARD, JR., VICE PRESIDENT, ETHYL CORP. ON BEHALF OF THE AD HOC COMMITTEE ON LEAD CONSUMERS

Mr. BLANCHARD. Mr. Chairman, I am Larry Blanchard. I am executive vice president of Ethyl Corp. I am here on behalf of the Ad Hoc Committee of Lead Consumers.

We appreciate your scheduling the hearing so early in this session on H.R. 6089. Also, there is Senate bill 2250, which was just introduced by Senator Nelson and the blanks in my prepared statement should be filled in with that Senate bill number.

These are bills which suspend until January 1, 1982 the conversion of the rates of duty on certain unwrought lead to an ad valorem basis and we support these bills.

Joining me at the hearing today are two of my colleagues at Ethyl, Mr. Jack Wright, director of purchasing and traffic, and Mr. Max Turnipseed, manager of international trade affairs. Here with us as counsel is Will Leonard of Busby, Rehm & Leonard.

In addition we have with us a group of the lead consumers, Mr. Thomas Callahan, senior vice president, finance and administration, Exide Corp.; Mr. Samuel Goldberg, vice president, Inco, United States, Inc.; Mr. Bernard Kavanaugh, metals coordinator, Globe Union, Inc.; Mr. Paul Piccone, director of materials, Exide Corp.; Mr. Donald Priebe, manager, metal procurement and control, Gould, Inc.; Mr. William Wilke, vice president, engineering and manufacturing, Hammond Lead Products, Inc.; and finally, Mr. Robert Wilbur, who is director of government relations of the Battery Council International, who would also like to say a few words, if I can go through fast enough.

Collectively, our companies annually consume over 70 percent of all the unwrought, unalloyed lead used in the United States.

Mr. Chairman, during my testimony I may make reference to our written statement—and exhibits—submitted yesterday. I ask that you include that statement as part of the record.

As part of the Tokyo Round, as you gentlemen know, some 500 specific and compound rates of duties were converted to ad valorem rates. Included in this conversion was the specific rate of 1.0625 cents per pound on unwrought lead—item 624.03.

In other words, roughly a penny a pound on lead was the old specific rate. This was recommended to be converted to the rate of 5.1 percent ad valorem which was what it should have been, if lead were about 20 cents per pound, which it was back in 1976.

Actually in the spirit of the Tokyo rounds, this was reduced from 5.1 percent to 4 percent and finally to 3.5 percent and this background would seem to indicate that the current rate is lower, and therefore complied with the spirit of the Tokyo round.

In actuality, the rate on lead has been increased over 65 percent at today's prices and over 100 percent at the price level of just 3 months ago.

At the rate of 3.5 percent, the rate that became effective January 1, it is obvious that at any price level above 30.36 cents per pound there is an increase in the duty over the old 1-cent rate and, in fact, the price of lead has not been below 30 cents since 1977.

What has happened is that there has been a quirk in the marketplace. A lot of it has been heavy Russian buying for undisclosed purposes causing a steep price rise in lead, which has had an effect on us, as consumers, and substantially increased the price of lead, particularly in the past year, with the result that the resulting duty has been dramatically increased.

In essence, we just plain do not think this is fair within the whole purpose of the Tokyo round and its reduced tariffs. All this has done is increase the tariff dramatically.

The lead producers may contend that they need this tariff protection because of stringent, well-known OSHA and EPA regulations on lead. This is not consistent with the approach in the Tokyo round and, if it were, certainly the duties on lead antiknock compound, should have been increased, not reduced by 50 percent, since the same problem applies to the antiknock compound industry, and countless other industries.

Certainly the battery producers face increases in costs from OSHA and EPA rules that are at least as great as those faced by the domestic lead producers.

The point is that the lead producers do not have any more OSHA and EPA problems than we do. This is a cross many industries are having to bear and while we think there are many solutions, tariff windfalls are not one of them.

All domestic lead will rise in price by the amount resulting from the duty increase due to the 3.5 percent ad valorem rate. U.S. companies purchasing lead will have to pass on most of this increased purchase price to consumers. We estimate that the price effect of the additional duty over the old rate will be over \$20,000,000 at the current price level. Clearly, this is an unfavorable impact on the U.S. economy.

The intent of all these tariff revisions was to reduce tariffs, not dramatically raise them. Therefore, we urge this subcommittee, the Committee on Finance and the U.S. Senate to pass H.R. 6089 or S. 2250, thereby suspending for the next 2 years the ad valorem rate of duty and returning to the previous specific rate of duty on unwrought, unalloyed lead. During the 2-year suspension, the price behavior of lead should be closely followed to see if the ad valorem rate of 3.5 percent correctly reflects the level of protection that existed with the specific duty of 1.0625 cents per pound. Congress then would have an opportunity to provide legislation to enact the proper ad valorem equivalent. We aren't even arguing for a reduction in the previous protection received by domestic lead producers. We just don't think the producers should get a windfall from the

conversion to an ad valorem equivalent that is based on 1976 lead price levels.

Senator RIBICOFF. I think that we understand the problem.

Senator Dole, Senator Danforth, do you have any questions?

Senator DOLE. I would be glad to yield my time to somebody who wanted to make a comment. There was one other person.

STATEMENT OF ROBERT H. WILBUR, DIRECTOR, WASHINGTON OFFICE, BATTERY COUNCIL INTERNATIONAL

Mr. WILBUR. I am Robert Wilbur representing the Battery Council and the Independent Battery Manufacturers' Association.

Mr. Chairman, Senator Dole, Senator Danforth. The battery industry strongly supports S. 2250 to suspend this tariff increase.

The battery industry is already facing a significant impact from the rising price of lead and from the forthcoming price of compliance with EPA and/or OSHA rules. As Mr. Blanchard has stressed, we recognize the lead industry also faces similar costs.

We think to increase the tariff which would strike at the battery industry at a time when sales are already down because of increased prices, but production is off, is the wrong approach. Many plants are on short weeks or layoffs.

Certainly to throw the cost of compliance of one industry in large part upon another, through an increased tariff, is inequitable to the battery industry and only compounds the problem that the battery industry already faces.

Senator RIBICOFF. Thank you, gentlemen.

Did you want to add something, Congressman Frenzel?

This panel has been closed, but I extend you the courtesy, if you have some comments.

Representative FRENZEL. I appreciate that, and I will be brief.

STATEMENT OF HON. BILL FRENZEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Representative FRENZEL. Thank you very much, Mr. Chairman.

My name is Bill Frenzel, I am a Congressman from Minnesota's Third Congressional District and I am here to support my bill which is pending in the House and a similar one which I understand will be soon introduced in the Senate.

You have heard the testimony of the panel who preceded me and I have a statement which I hope, and ask, will be accepted in the record.

Senator RIBICOFF. Without objection, your entire statement will go into the record as if read.

Representative FRENZEL. Mr. Chairman, my interest here is that I was dismayed to find, because of the rapid increases in this particular commodity and price increases through a year period about a year ago caused the new percentage rate to require a very substantial increase in the duties on lead.

Unfortunately, most of us felt—or rather, most of us felt during the MTN negotiations that we were lowering tariff and we now find, with respect to lead, we have almost doubled them.

That places, I think, an unreasonable burden on consumers of lead in this country and as a buyer of gasoline and batteries and things like that, and as a representative of constituents who buy

them, I see that there is no real need to lay an extra \$20 million of costs or whatever it computes at today's price of lead upon the consuming public.

I spoke to the U.S. Trade Representative on this matter. He indicated to me that for various reasons he was not able to change the 3.5-percent rate and therefore, in my judgment, it is necessary to pass H.R. 6089 or something like it, to indemnify consumers against unnecessary and unreasonable increases in the cost of products that may contain lead.

Senator, that is all I need to say.

Senator RIBICOFF. As I understand your position, Congressman, there is a definite loss to American manufacturers and consumers and no correlative gain for American producers of lead.

Representative FRENZEL. That is exactly my point, Senator. We are going to have to import a certain amount of lead, anyway. The 3.5-percent rate merely means we will pay more for it.

Senator RIBICOFF. Are there any questions?

Senator DANFORTH. Congressman Frenzel, you were very active in the House Ways and Means Committee and also in the conference on the enabling legislation the Trade Act that we passed last year, and now we are undoing within a month something that was part of a total package that was years in the making.

How does it happen that suddenly we are tearing the package apart?

Representative FRENZEL. I do not think any of us, Senator, were so naive to think that we were writing on tablets of stone that would not require periodic adjustments and amendments.

Senator DANFORTH. This is sort of writing in air, is it not?

Representative FRENZEL. Pardon me?

Senator DANFORTH. This is not only writing in stone when it is just a few weeks later. It is sort of like writing on water.

Representative FRENZEL. We are writing with a lead pencil.

At the time we were working on that, I was unaware of the doubling of the lead price within about a year's time. In my judgment, that condition is one of maybe a series of things that ought to take some attention on our part. When you will have that kind of an increase, we ought to be able to act to take care of it.

Senator DANFORTH. Supposing that the lead industry is a cyclical industry and that it has frequent shifts, changes, in prices and profits and so forth. Should we be forever introducing bills, changing from specific duty rates to ad valorem rates and back again with each peak and valley?

Representative FRENZEL. It depends on how cyclical it is. Yes, if it is going to double, or half in consecutive years, I think we should pay attention to it. On the other hand, the history of the commodity prices on most materials has not been that volatile.

My bill, for instance, is a 2-year bill which, I guess, is comparable to most of our duty suspensions or alterations.

I do not know how long the situation is going to pertain, but I think we ought to be able to respond to massive changes in price range, such as we have observed.

Senator DANFORTH. Do you think that in considering our position on duties and trade that we should consider what other countries' policies are in respect to the same commodities?

Representative FRENZEL. Yes.

In this case, you are aware who the principal exporters are. We have been engaged in rather complicated negotiations with them on a variety of commodities and subjects and I am very disappointed that we could not do better on this one for ourselves, but I think that we have gotten ourselves in a snarl where to do something good for ourselves involves giving them something which they cannot reciprocate for.

Senator DANFORTH. Who "ourselves" is depends on which State you happen to represent?

Representative FRENZEL. It depends whether you have a mine, or people who buy batteries.

Senator DANFORTH. Thank you.

Senator RIBICOFF. It seems to me that you have the manufacturer of batteries in your district.

Representative FRENZEL. I do not, Mr. Chairman, but I have them in my State.

Senator RIBICOFF. In your State. And our distinguished colleague on this committee, I would assume, has a lead producer in this country in his State?

Senator DANFORTH. Eighty-five percent.

Senator RIBICOFF. It would seem to me in a situation like this with two men whom I respect and have extreme commonsense, that you ought to be able to work out a formula to take care of an unusual situation that now pertains and I would hope before the markup that maybe you, Congressman, and the Senator could have a little chat together.

Representative FRENZEL. I think that is an excellent suggestion, Senator.

Senator RIBICOFF. Thank you very much.

Representative FRENZEL. Thank you.

[The prepared statements of the preceding panel follow. Oral testimony continues on p. 90.]

STATEMENT BY LAWRENCE E. BLANCHARD, JR.,
EXECUTIVE VICE PRESIDENT OF ETHYL CORPORATION
RICHMOND, VIRGINIA

SUBMITTED TO THE SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE COMMITTEE ON FINANCE
FEBRUARY 5, 1980

SUMMARY OF THE STATEMENT IN SUPPORT OF H.R. 6089

The specific rate of duty on lead was converted to an ad valorem rate based on 1976 price levels for imported lead. Subsequent to that conversion process, unprecedented price increases during the past year have resulted in substantial increases in duty that adversely affect the U.S. economy.

One of the intended objectives of the Tokyo Round of Multilateral Trade Negotiations was to reduce tariffs, not dramatically increase them. We contend that the application of a 3.5 percent ad valorem duty rate to lead (Tariff Item 624.03) has increased the duty over 65 percent at today's prices and over 100 percent at the prices that prevailed just three months ago. A steep rise in the price of lead in 1979 (due largely to the Russians' buying substantial quantities of lead) and the conversion of a specific duty rate to an ad valorem rate, based on 1976 prices that were about one third of current lead price levels, have caused a substantial increase in the amount of duty lead importers and ultimate consumers must pay. We strongly urge that the Congress enact legislation such as H.R. 6089, thereby suspending for the next two years the ad valorem rate of duty and returning to the previous duty rate of 1.0625 cents per pound on unwrought, unalloyed lead.

STATEMENT BY LAWRENCE E. BLANCHARD, JR.,
EXECUTIVE VICE PRESIDENT OF ETHYL CORPORATION
RICHMOND, VIRGINIA

SUBMITTED TO THE SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE COMMITTEE ON FINANCE
FEBRUARY 5, 1980

I am Lawrence E. Blanchard, Jr., Executive Vice President of Ethyl Corporation. This statement is submitted on behalf of an Ad Hoc Committee of Lead Consumers. Our Committee very much appreciates that a hearing has been scheduled so early in this session on H.R. 6089/S. , bills to prohibit until January 1, 1982, the conversion of the rates of duty on certain unwrought lead to ad valorem equivalents. We support and strongly urge that the Congress enact these bills.

Our Ad Hoc Committee of Lead Consumers includes six individual companies and the Battery Council International. The companies included are:

ETHYL CORPORATION
330 South Fourth Street
Richmond, Virginia 23219

GOULD INC.
Automotive Battery Division
Post Office Box 3140
St. Paul, Minnesota 55165

EXIDE CORPORATION^{1/}
5 Penn Center Plaza
Philadelphia, Pennsylvania 19103

HAMMOND LEAD PRODUCTS, INC.
Post Office Box 308
Hammond, Indiana 43625

GLOBE UNION INC.
5757 North Green Bay Avenue
Milwaukee, Wisconsin 53201

PRESTOLITE BATTERY DIVISION,
an ELTRA COMPANY^{2/}
511 Hamilton Street
Toledo, Ohio 43694

Collectively, the companies in this Committee annually consume over 70% of all the unwrought, unalloyed lead used in the United States.

^{1/} Subsidiary of INCO Limited of Toronto, Canada

^{2/} Subsidiary of ALLIED CHEMICAL CORPORATION, Morristown, N.J.

Collaborating with me in the preparation of this statement are two of my colleagues at Ethyl Corporation, Mr. Jack C. Wright, Director, Purchasing and Traffic, and Mr. Max Turnipseed, Manager, International Trade Affairs; Counsel serving the Ad Hoc Committee, Mr. Will E. Leonard, of Busby, Rehm, and Leonard, P.C.; and these additional representatives for the members of our Committee:

Mr. Thomas P. Callahan
Senior Vice President, Finance and Administration
EXIDE CORPORATION^{1/}

Mr. Samuel Goldberg
Vice President
INCO UNITED STATES, INC.^{1/}

Mr. Bernard E. Kavanagh
Metals Coordinator
GLOBE UNION INC.

Mr. John A. Peterson
Vice President, Director of Materials Management
PRESTOLITE BATTERY DIVISION^{2/}

Mr. Paul F. Piccone
Director of Materials
EXIDE CORPORATION^{1/}

Mr. Donald J. Priebe
Manager, Metal Procurement and Control
GOULD INC.

Mr. William P. Wilke IV
Vice President, Engineering and Manufacturing
HAMMOND LEAD PRODUCTS, INC.

Mr. Robert Wilbur
Director, Government Relations
BATTERY COUNCIL INTERNATIONAL

^{1/} Subsidiary of INCO Limited, Toronto, Canada

^{2/} Subsidiary of ALLIED CHEMICAL CORPORATION, Morristown, N.J.

BACKGROUND

As part of the Tokyo Round of Multilateral Trade Negotiations (MTN) some 500 selected specific and compound rates of duty, including the specific rate of 1.0625 cents per pound on unwrought lead, tariff item 624.03, were converted to ad valorem rates. The conversion process began with a request in March of 1978 from the Office of the Special Representative for Trade Negotiations (STR) to the U.S. International Trade Commission (USITC) to provide STR with the USITC's advice on converting specific and compound rates of duty to ad valorem rates. The USITC made its conversion to ad valorem equivalents based primarily on trade data for 1976. Since the average price in 1976 for imported unwrought, unalloyed lead, was 20.8 cents per pound, the Commission in June of 1978 recommended that the Column I rate of duty be converted to 5.1%. This became the rate used by STR for purposes of negotiating a tariff concession on this item during the Tokyo Round.

The Tokyo Round of negotiations resulted in a reduction from the 5.1% rate to a 4% rate to take effect January 1, 1980. During the bilateral negotiations between the United States and Mexico in late 1979, a further concession on unwrought lead was provided which reduced the 4% rate to 3.5%. This is the rate that became effective January 1, 1980, for TSUS Item 624.03.

CURRENT TARIFF STATUS

Considering this background one may ask why lead consumers are now so concerned about the 3.5% rate of duty which became effective January 1, 1980 -- a rate which appears to be a lower rate than the 5.1% rate resulting from the conversion process. In actuality, instead of being a reduced rate of duty, and even though the reduction of duties was one of the intended objectives of the MTN, the new rate of duty on Item 624.03 has in effect been increased over 65% at today's prices of lead and over 100% based on prices of lead prevailing just three months ago. As lead importers and consumers, we will start paying this substantial increase of duty as of January of this year and our customers will be paying more for our products because of the increase in lead costs due to a higher lead duty. Clearly this increase introduces still more unnecessary inflationary pressure on the U.S. economy.

LEAD PRICE HISTORY IN RELATIONSHIP TO DUTY RATES

A perspective on lead price levels over the past 5 years in relationship to tariff rates and the resulting cents-per-pound equivalents is needed to more clearly see how inappropriate the converted ad valorem rate based on 1976 is when compared to recent equivalents that result from applying a 3.5% ad valorem rate to the price levels for lead which have tripled since 1976.

The price level of domestic lead remained relatively stable throughout 1976. It ranged from 19 to 25.75 cents per pound. Even during the four and one half year period from 1974 to mid-1978, the domestic price of lead just ranged from 19 to 33 cents per pound. In September of 1978 however, the price began to rise at an unprecedented rate. It tripled from the 1976 levels of 20 cents per pound to 63 cents per pound in October, 1979. The domestic lead price history is reflected in Exhibit I.

The specific tariff rate of 1.0625 cents per pound now translates to 1.75 cents per pound at the new ad valorem rate of 3.5% based on the current price level for lead of 50 cents per pound -- a 65% increase. As recent as just three months ago, in October of 1979 when the price of domestic lead was 63 cents per pound, the duty on lead at the new 3.5% ad. valorem rate would have been equivalent to 2.205 cents per pound. At this price level, the duty increase will exceed 100% of the specific duty rate of 1.0625 cents per pound which was in effect until January 1, 1980. A list of relevant ad valorem duty rates and the corresponding equivalent duty amount expressed in cents per pound at lead prices ranging from 20-65 cents per pound is reflected in Exhibit II. It can be seen from reviewing the equivalent cents per pound levels indicated on Exhibit III in the column for the current ad valorem rate of 3.5%, that any lead price level exceeding 30.3572 cents per pound results in a duty which is greater than the previous

specific rate of 1.0625 cents per pound. At today's lead price level the amount of increased duty is staggering enough, but over the next decade the outlook is even bleaker with lead prices expected to stabilize in excess of 60 cents per pound early in the decade and rise to an average over 65 cents per pound by 1985.^{3/}

The unforeseen and unprecedented price increases for lead during 1979 (due largely to the Russian's buying substantial quantities of lead), and the duty rate being converted to an ad valorem rate are the basic reasons that such a substantial increase has occurred in the amount of the duty on imported lead. It is unfortunate that the Administration chose not to reduce the negotiated ad valorem rate to a level more equivalent to the previous specific duty rate of 1.0625 cents per pound when it had the opportunity, even though the President had authority from Congress to reduce tariff rates up to 60% and this authority was exercised in many instances.

U.S. LEAD PRODUCERS' POSITION

The Administration's decision not to cut the duty on lead below a 3.5% level may be due in large part to objections from the

^{3/} Chase Econometrics, Executive Summary Report, January 1980, "Metals Investment in the Eighties: Outlook Unsettled by Energy Risks," page 7

U.S. lead producing industry. The duty rate conversion and subsequent unprecedented increase in the price of lead presented the domestic lead producers with a windfall increase in protection--all within the framework of a round of tariff reductions. This is an unexpected benefit they seem unwilling to give up even though they appear to be operating at nearly full capacity and cannot produce enough lead to meet the annual U.S. demand. The United States continues to be a net importer of lead, currently importing over 15% to meet annual demand. Forecasts indicate that net imports will have to increase even more over the next decade.^{4/}

In addition to our requirements for lead importations to meet what we might call routine needs, we should also recognize that the Administration has set a goal for lead metal in our national defense stockpile of some 865,000 tons. Since the current level is 601,000 tons, this would call for an additional tonnage increase of 264,000 tons as soon as the Congress might agree to the goal. Meeting this demand would add a further burden to the U.S. lead producing industry which it is not capable of meeting over a short term, and no doubt would set the stage for and require even a higher level of imported lead.

It is not our intention to harm the domestic lead producers at all, since we believe that they must be a strong viable industry to meet the critical needs of our country. The fact is, that since

^{4/} Chase Econometrics, Executive Summary Report, January 1980, "Metals Investment in the Eighties: Outlook Unsettled by Energy Risks," page 27.

we must import some 15 percent of the lead metal required to meet our current needs there should be no excessive barriers thrown up to hinder these imports or to force prices upward due to factors other than basic supply and demand. An excessive duty would have the effect of adding such excess to the price which the ultimate U.S. consumers must pay. We feel that the domestic producers are adequately protected from any foreign competition at the 1.0625 cents per pound duty level.

U.S. lead producers may contend they need additional tariff protection because of strenuous OSHA and EPA regulations. But, we submit that additional tariff protection was not an objective and is not consistent with the overall results of the MTN. If the approach of the MTN in the tariff negotiations were to provide additional protection as offsets to other costs, certainly the duty rate on antiknock compounds should have been increased, not reduced by 50%, since the same problem applies to the antiknock and countless other industries adversely affected by EPA and OSHA regulations. Certainly the battery producers face undefined increases in costs from EPA and OSHA rules that are at least as great as those faced by the U.S. lead producers. The point is that U.S. lead producers do not have any more EPA and OSHA problems than we do. This is a burden that all industries are having to bear, and while we think there are many solutions, windfall tariff protection is not the appropriate solution.

ECONOMIC IMPACT ON U.S. ECONOMY

The economic effects, therefore, of this increase in the cost of imported lead are that those who buy lead, principally the battery, chemical, ammunition and pigment manufacturers in the United States, must pay more for the imported lead. It will not be just the imported lead which will cost more, however. Domestic producers of lead, if the past is any prologue, will increase the price of their product by the amount of the increase in duty of the imported lead. Thus, all lead bought in the United States will reflect the higher price caused by the increased duty. Those U.S. companies which purchase this higher priced lead will have to pass most of their increased purchase costs on to the consumers of their products. Based on the 1978 import statistics for TSUSA 624.0350 of 455,715,000 pounds, the estimated additional duty amount in excess of the 1.0625 cents per pound previously paid (using current lead price levels of 50 cents per pound) plus the corresponding increase in the price of all domestically consumed lead resulting from this additional duty, will result in an unfavorable impact on the U.S. economy of about \$20,625,000 a year. This estimated annual amount will, of course, change as lead price levels change. Additional information and estimated costs resulting from this duty increase are reflected in Exhibit III. It hardly bears repeating that our beleaguered economy, already plagued by inflation, does not need this kind of unnecessary cost increase.

CONCLUSION

If indeed, the intention and objective of the MTN was to reduce tariffs, we urge this Subcommittee, the full Committee on Finance, and the U.S. Senate to pass legislation such as S. _____ and H.R. 6089, which would suspend for the next 2 years the ad valorem rate of duty and put back into effect the previously existing specific rate of duty on unwrought, unalloyed lead. During the 2 year suspension, the price behavior of lead should be closely followed so that at the conclusion of the 2 years, a fair and reasonable rate may be established. If a different ad valorem equivalent is then deemed more appropriate, the Congress would then have an opportunity to enact legislation providing a new, more appropriate ad valorem duty rate.

It is not at all our intention to reduce the previous tariff protection the domestic lead producers had. Similarly, we do not believe that we, nor the ultimate consumers in the United States, should be adversely affected by an increase in the price of lead and lead products resulting from a duty increase. After all, an intended objective of what has been hailed as the greatest round of international trade negotiations ever concluded was to reduce tariff rates.

Our position in support of S. _____ and H.R. 6089 is that the U.S. lead producers are well protected from foreign competition at the previous specific duty rate of 1.0625 cents per pound that was

in effect, and that any additional duty resulting from a change to the new ad valorem rate would only add to the burden of inflation being borne by the U.S. consumers of products containing lead. We request expeditious action by Congress so that the specific rate of 1.0625 cents per pound on Tariff Item 624.03 can be reinstated effective January 1, 1980.

Thank you for this opportunity to present our views to the Subcommittee in this statement.

Price History of Unwrought, Unalloyed Lead - Quoted New York Spot Prices (2)

<u>Date of Change</u>	<u>Price</u> <u>¢/lb.</u>	<u>Date of Change</u>	<u>Price</u> <u>¢/lb.</u>
10-12-72	14.5	5-04-78	31.0
1-12-73	15.0	8-14-78	33.0
2-08-73	15.5	9-12-78	35.0
3-01-73	16.0	10-06-78	37.0
4-30-73	16.5	10-31-78	38.0
12-10-73	19.0	1-02-79	40.0
3-26-74	21.5	1-18-79	42.0
6-17-74	24.5	2-07-79	44.0
5-15-75	22.75	3-20-79	48.0
6-02-75	19.0	5-24-79	55.0
8-13-75	20.0	6-29-79	58.0
12-15-75	19.0	9-28-79	58.0-65.0 (3)
3-10-76	21.0	10-09-79	58.0-63.0 (3)
4-14-76	23.0	10-31-79	57.0-63.0 (3)
7-08-76	24.5	11-30-79	57.0 (3)
10-06-76	25.5	12-17-79	55.0-57.0 (4)
1-05-77	26.0	1-03-80	52.0-55.0 (4)
1-21-77	27.5	1-07-80	50.0-52.0 (4)
1-31-77	28.0	1-11-80	48.0-52.0 (4)
2-09-77	29.0	1-21-80	50.0-52.0 (4)
3-01-77	31.0		
10-31-77	32.0		
12-06-77	33.0		

- (2) Source is lead metal prices listed daily in Wall Street Journal.
- (3) Increased announced 9-28-79 by several domestic lead producers did not stabilize. All but one primary producer stabilized on 10-9-79 at 63¢/lb. until 10-31-79 when two primary producers reduced their prices to 57¢/lb. Prices ranged from 57-59¢/lb. until 11-30-79 when price stabilized at 57¢/lb.
- (4) Certain primary producers began announcing reductions during December 1979 and early January, 1980. Price still has not stabilized.

SCHEDULE OF EQUIVALENT DUTY RATES
ON CENTS PER POUND BASIS AT VARIOUS AD VALOREM RATES

Range of Relevant Ad Valorem Duty Rates - %
Actual and Comparative - TSUS 624.03

<u>Range of Lead Prices Cents per pound</u>	<u>5.1%</u>	<u>4.0%</u>	<u>3.5%</u>	<u>3.0%</u>	<u>2.5%</u>	<u>2.0%</u>
20.8333	<u>1.0625</u>	0.8333				
26.563		<u>1.0625</u>				
30.3572		<u>1.2143</u>	<u>1.0625</u>			
35.4168		1.4167	<u>1.2396</u>	<u>1.0625</u>		
36.0			1.260	1.080		
37.0			1.295	1.110		
38.0			1.330	1.140		
39.0			1.365	1.170		
40.0			1.400	1.200		
41.0			1.435	1.230		
42.0			1.470	1.260		
42.500			1.4875	1.275	<u>1.0625</u>	
43.0			1.5050	1.290	<u>1.0725</u>	
44.0			1.540	1.320	1.100	
45.0			1.575	1.350	1.125	
46.0			1.610	1.380	1.150	
47.0			1.645	1.410	1.175	
48.0			1.680	1.440	1.200	
49.0			1.715	1.470	1.225	
50.0			1.750	1.500	1.250	
51.0			1.785	1.530	1.275	
52.0			1.820	1.560	1.300	
53.0			1.855	1.590	1.325	
53.125			1.8594	1.5938	1.3281	<u>1.0625</u>
54.0			1.8900	1.620	1.350	<u>1.080</u>
55.0			1.9250	1.650	1.375	1.100
56.0			1.96	1.68	1.40	1.12
57.0			1.995	1.71	1.425	1.14
58.0			2.030	1.74	1.450	1.16
59.0			2.065	1.77	1.475	1.18
60.0			2.10	1.80	1.500	1.20
61.0			2.135	1.83	1.525	1.22
62.0			2.170	1.86	1.550	1.24
63.0			2.205	1.89	1.575	1.26
64.0			2.240	1.92	1.600	1.28
65.0			2.275	1.95	1.675	1.30

**ESTIMATED DOLLAR IMPACT ON U.S. ECONOMY
BASED ON THE INCREASED DUTY RESULTING FROM
VARIOUS TARIFF LEVELS BASED ON 1978 IMPORTS
OF UNWROUGHT, UNALLOYED LEAD - TSUS 624.0350**

1978 Imports - 455,715M pounds

Specific Duty Rate Prior to January 1, 1980 - 1.0625/lb.

Total Duty at Previous Rate - \$4,842M

Total Duty at the current 3.5% tariff rate assuming a 50¢/lb. lead price:
455,715M x .50 x .035 = \$7,975M

③.0% assuming 50¢/lb.: 455,715M x .50 x .030 = \$6,836M

②.5% assuming 50¢/lb.: 455,715M x .50 x .025 = \$5,696M

②.0% assuming 50¢/lb.: 455,715M x .50 x .020 = \$4,557M

③.5% assuming 55¢/lb.: 455,715M x .55 x .035 = \$8,779M

③.0% assuming 55¢/lb.: 455,715M x .55 x .030 = \$7,519M

②.5% assuming 55¢/lb.: 455,715M x .55 x .025 = \$6,266M

②.0% assuming 55¢/lb.: 455,715M x .55 x .020 = \$5,013M

③.5% assuming 60¢/lb.: 455,715M x .60 x .035 = \$9,570M

③.0% assuming 60¢/lb.: 455,715M x .60 x .030 = \$8,203M

②.5% assuming 60¢/lb.: 455,715M x .60 x .025 = \$6,836M

②.0% assuming 60¢/lb.: 455,715M x .60 x .020 = \$5,469M

1. The amount of additional duty that will impact on the U.S. economy using the 1978 import quantity as the basis for calculation can be found by taking the difference between the total duty at the old rate (\$4,842M) and the total duty at the new rate using the applicable price level for lead. At current price levels of 50¢/lb., the total duty is \$7,975M or an additional duty cost of \$3,133 based on 1978 imports of tariff item 624.0350.
2. The additional dollar impact of the duty increase (based on 1978 imports) ranges from a 65% (7,975/4,842) increase in duty at the 3.5%/50¢/lb. level up to a 98% (9,570/4,842) increase in duty at the 3.5%/60¢/lb. level.
3. Based on the total lead consumed in the U.S. annually (approximately 3,000MM pounds) at today's lead prices of 50¢/lb., the total additional dollar impact of the duty increase translates into \$20,625M^{1/} in additional costs for lead.
4. It is interesting to note from these calculations that additional duty (increased costs) would still prevail using the forecasted price of 60¢/lb. and assuming just a 2% ad valorem duty rate would be applicable.

^{1/} 3,000MM x .50 x .035 = \$52,500M
2,000MM x \$0.010625 = \$21,875M
\$20,625M

STATEMENT BY DELIGHT BREIDEGAM, PRESIDENT, BATTERY COUNCIL INTERNATIONAL, BEFORE THE SUBCOMMITTEE ON INTERNATIONAL TRADE, SENATE FINANCE COMMITTEE, FEBRUARY 5, 1980¹

Mr. Chairman, I am DeLight Breidegam, President of East Penn Manufacturing Company of Lyon Station, Pennsylvania, and President of the Battery Council International. My firm is an independent regional battery manufacturer, serving replacement markets throughout the Middle Atlantic states and west as far as Illinois.

The Battery Council represents 54 domestic producers of lead-acid storage batteries, including both the major national firms and many smaller local and regional battery manufacturers. I have also been authorized to speak on behalf of the Independent Battery Manufacturers Association, which represents approximately 60 smaller battery manufacturers. Their membership overlaps with ours, and the two associations together represent virtually 100 percent of the total U.S. industry. As battery production is typically located close to markets, these firms are situated throughout the country.

The Battery Council fully supports H.R. 6089, which would prohibit until January 1, 1982 the conversion of the rates of duty on unwrought lead, other than lead bullion, to ad valorem equivalents.

The average automotive storage battery contains 22 pounds of lead. Approximately 60 percent of the total U.S. supply of lead—including both primary and secondary production and imported lead—is used by our industry. This raw material is the largest single cost in the production of a battery.

Other members of this panel have detailed how the tariff on lead has increased from 1.0625 cents per pound to a current rate of approximately 1.75 cents per pound as the inadvertent consequence of a round of tariff negotiations which was intended, overall, not to raise but to lower tariffs.

The tariff increase, amounting to about 65 percent at current prices, has been the consequence of the sharp rise in the price of lead since 1976. This increased lead price has already had an impact on our industry. Consumer resistance to higher prices has been a major factor in a sharp sales decline in 1979-80. Sales are currently off about 12 percent from last year. The result has been reduced work-weeks almost throughout the industry, and layoffs in a large number of cities.

The United States, as other panelists have shown, is not and has not traditionally been self-sufficient in lead. Consumption outruns U.S. production, and tariff increases are not needed to protect U.S. workers or U.S. firms. The only consequence would be to raise domestic lead prices to the new price level of import costs plus the tariff.

The increased cost to domestic lead users, at current lead prices and lead use, would be about \$21 million. The battery industry's share of this would be about \$12 million.

This extra cost would come at a time when the battery industry is already suffering from increased lead prices—and facing the prospect of extraordinary costs for compliance with the rules of two awesome federal regulatory agencies—OSHA and EPA.

Recent actions by these two agencies, if upheld by the Courts, will place an immense burden on the battery industry, as it will on all firms and industries which either produce or use lead.

These rules are under review by the Circuit Court of Appeals, and the final form which they will take is uncertain. The time frame in which the costs will be incurred could also change; the OSHA rule, as it now stands, calls for full compliance by the battery industry by March 1984, and by the primary smelters by 1989.

If these standards, and particularly the OSHA standard are upheld, the battery industry will face costs of compliance which will, at the very least, change the shape of the industry as we know it today.

When OSHA first proposed a new standard for occupational exposure to lead, the proposed level was one hundred micrograms of lead per cubic meter of air (100 $\mu\text{g}/\text{m}^3$). On the basis of this proposal, the consulting firm which prepared the economic impact assessment for OSHA estimated the capital cost of compliance for the battery industry at \$345 million. The comparable cost for the primary smelting industry was \$56 million. The continuing, annual compliance costs for the battery industry were placed at \$46 million a year; compared to \$12.5 million for the primary smelters. That is, the estimated costs of compliance with the proposed OSHA rule, for the battery industry, would have been about six times greater than for the smelters.

¹ Mr. Robert Wilbur, Director, Washington Office, Battery Council International, will appear at the hearings on behalf of Mr. Breidegam.

The OSHA study also concluded that, because of economies of scale, the burden of compliance would fall disproportionately on the smaller battery firms. For this reason—in the words of OSHA's contractor—"this makes it hard to escape the conclusion that the OSHA lead standard is likely to bankrupt many small storage battery producers, possibly as many as 100 small companies."

These estimates—from OSHA's own consultant—were based on the original OSHA proposal of 100 $\mu\text{g}/\text{m}^3$. When it came time for its decision, OSHA did not adopt this proposal. It halved this level—to 50 $\mu\text{g}/\text{m}^3$.

There are no estimates of the cost of compliance with the final 50 $\mu\text{g}/\text{m}^3$ standard, for the battery, the smelter, or any other affected industry. Almost certainly, the costs will be far greater than twice the estimates for meeting the 100 $\mu\text{g}/\text{m}^3$ proposal. It is even doubtful that the standard is technically feasible—that is—whether it could be met no matter how much is spent.

In addition, the battery industry faces costs of compliance with EPA rules yet unissued which could be at least as great as the cost of compliance with the OSHA rule. Last month, EPA issued proposed point source air emission standards for new or rebuilt battery plants. The EPA-estimated price tag—capital alone—for these standards is \$8.6 million over five years. We think this is about half the real cost.

Next—probably also this year—will come BPT and BAT standards for water effluent discharges, with full compliance likely to be required by 1983. Since the rules have not been issued, we know even less about the cost. But one recent EPA study suggests at least \$63 million, again in capital costs alone. The true cost will probably be far greater.

Despite these staggering sums, it is possible that the smelter industry's cost of compliance might be even greater than the battery industry's costs.

However, to argue that the smelters need an increased tariff on lead to generate revenues to meet their costs, would be to stand commonsense on its head. The result would be that the battery industry—at least whatever battery firms survived—would bear both their own cost of compliance and this part of the smelter industry's. Raising the lead tariff to help the smelters would throw a double cost of compliance on the battery industry and on our customers—the men and women who buy storage batteries for their cars and trucks. (One further consequence, of course, could be increased imports of finished batteries).

There are several ways that the overall problem of meeting the cost of EPA and OSHA rules could be handled. First, the agencies could withdraw and revise the rules. Perhaps the courts will help them do this. Second, the Congress might insist on commonsense changes—such as permitting compliance through the use of respirators, rather than insisting on engineering changes, the most expensive of all means of compliance. Third, the Congress might help by providing relief through tax reform, such as a one year depreciation of non-productive investments needed to meet government-mandated standards.

To try to solve this problem through a tariff increase, which strikes at one segment of industry—the using industry—is, certainly, the worst of all possible courses.

STATEMENT BY CONGRESSMAN FRENZEL

Thank you, Mr. Chairman, for the opportunity to testify on H.R. 6089. You are to be commended for so early in this session of Congress getting down to the business of the Congress and holding this hearing. I am particularly appreciative that you have included my bill on the hearing agenda today even though the bill has not yet been considered in the House. I understand that Senator Nelson will introduce a similar bill in the Senate this week.

All of us who were involved in the passage of the Trade Agreements Act of 1979 fully expected that there would have to be additional legislation passed to make technical corrections and to take care of the little matters that fell through the cracks in the process of enacting the Trade Agreements Act of 1979. That is the nature of things in this imperfect world.

The matter to which H.R. 6089 is directed is perhaps a case in point. However, the problem of an unintended large increase in the duty on lead brought about by a conversion and concession exercise under the MTN umbrella meant to reduce tariffs was brought to the attention of our trade negotiators before the wrap-up of the Tokyo Round. Though it was late in the day, they did not or else believed they could not cure the problem.

The problem, to put it succinctly as I can, is that the duty on unwrought, unalloyed lead, like the duty on so many other import items, was to have been reduced by the United States as a result of the MTN. Instead, the duty was

increased over 65 percent, at today's price of lead. It is quite possible that the increase in lead duties will exceed 100 percent for much of the 1980's if the prices forecast for lead materialize. The duty increase resulted from a conversion by the United States of the specific duty on lead to its ad valorem equivalent based on 1976 prices and an unforeseen and unprecedented explosion in the price of lead during 1979.

Therefore, my request to you today is simple: place the import duty on lead, at least temporarily, at the level it was, 1.0625 cents per pound, before the great trade-liberalizing effort of the Tokyo Round. H.R. 6089 is designed to do that. It would suspend until January 1, 1982, the 3.5 percent ad valorem rate and reinstate the 1.0625 cents per pound specific rate. During the two years, lead prices hopefully would stabilize; but in any event, a decision could be reached on the rate of duty on lead which would afford reasonable protection for the domestic lead producing industry without gouging the lead users and the ultimate consumers of lead products.

Quite frankly, since the United States is necessarily a net importer of lead, perhaps the duty on lead should be reduced, but at least the rate in ad valorem terms should be similar to or the same as the specific rate has been.

If the current 3.5 percent rate remains the duty on lead, according to the best estimates I have seen, it will mean a \$21 million additional bill that U.S. purchasers of products containing lead will have to pay in 1980. I can tell you that the impact in my Twin Cities area alone of an added cost of imported lead will be substantial.

In producing approximately 1 million batteries a year, Twin Cities battery plant consume about 22 million pounds of lead and use another 20 million pounds of lead in the making of lead oxide which is shipped to other states to be used in the manufacture of batteries. About 700 jobs are involved and we are talking about a payroll of \$14 million or more. Battery-makers are having a hard enough time as it is, with the greatly increased price of lead and other problems. Their sales have declined. There are layoffs of employees. They just cannot take another substantial increase in their costs such as the higher duty on lead will mean. And, when the imported lead price rises because of the increase in the tariff, the nature of pricing of this commodity is such that the price of the domestically produced lead will rise by about the same amount. That is why it is calculated that lead users—battery manufacturers, gasoline additive producers, pigment makers, ammunition manufacturers—will be paying approximately \$21 million more for the purchase of lead in 1980 as a result of the duty increase. They will try to pass that \$21 million tab on to the purchasers of their products, and that means we're all going to have to share in the payment of an extra bill that is not in keeping with the spirit of the MTN, and is not necessary to the success of domestic lead-producing companies.

Thank you again for the opportunity to speak on my bill, H.R. 6089. I hope that you will order it reported favorably and that the full Committee on Finance and the Senate will approve it as well. I can assure you that I shall be pursuing its early passage in the House of Representatives so that the specific rate of duty, 1.0625 cents per pound on lead, can remain, at least from January 1, 1980, until January 1, 1982, the duty on lead.

Senator RIBICOFF. H.R. 2492.

Senator DOLE. I think there is another panel.

Senator RIBICOFF. Yes, I am sorry. There is another panel. Mr. Robert Muth, Mr. Charles Carlisle, Mr. Phillip Ruppe, and Mr. Gary Wickham.

Mr. Muth?

STATEMENT OF ROBERT MUTH, VICE PRESIDENT, ASARCO, INC., ACCOMPANIED BY CHARLES CARLISLE, VICE PRESIDENT, ST. JOE MINERALS CORP.; PHILLIP E. RUPPE, DIRECTOR, WASHINGTON SERVICES, AMAX, INC., GARY WICKHAM, VICE PRESIDENT, BUNKER HILL CO.

Mr. MUTH. Mr. Chairman, I am Robert Muth, vice president of ASARCO, Inc. My testimony this morning is presented on behalf of four U.S. producers of primary lead. These companies account for virtually all of the primary lead produced in the United States.

They are: AMAX, Inc.; my own company, ASARCO; the Bunker Hill Co., a subsidiary of Gulf Resources & Chemical Corp.; and St. Joe Minerals Corp.

Each of the four companies is represented on the panel. Present with me are Charles Carlisle, vice president of St. Joe Minerals; Phillip Ruppe, director of Washington Services of AMAX, Inc.; and Gary Wickham, vice president, Bunker Hill Co.

We are also accompanied by Lyn Schlitt of Covington & Burling and Stanley Nehmer, president of Economic Consulting Services, Inc.

Mr. Chairman, we have submitted a statement which I would like to tender for the record.

Senator RIBICOFF. Without objection, the entire statement will go into the record.

Mr. MUTH. Thank you, sir. I will speak briefly from it.

The four companies represented on our panel oppose enactment of H.R. 6089 and urge, instead, retention of the recently negotiated 3.5 percent ad valorem duty on imports of unwrought lead. We oppose H.R. 6089 for the following reasons:

First of all, Mr. Chairman, the recently negotiated 3.5 percent duty on imported lead metal is low by historic U.S. standards. It is low by any standards applicable in U.S. tariff history prior to the surge of inflation in the late 1970's which rendered the 1.06 cents per pound specific rate of duty rapidly obsolete.

Throughout the sixties and well into the seventies, Mr. Chairman, the ad valorem equivalent of the 1.06 cents per pound ranged from 5 percent up through 7 to 8 percent.

To assert, as we have heard this morning, that this new duty represents an increase is to take an exceedingly short view of history in this industry.

A second point, sir, is we are now on parity in our duty with the European Community and considerably below our second major international competitor, Japan.

The chart here illustrates the relationships that emerge after the MTN negotiations.

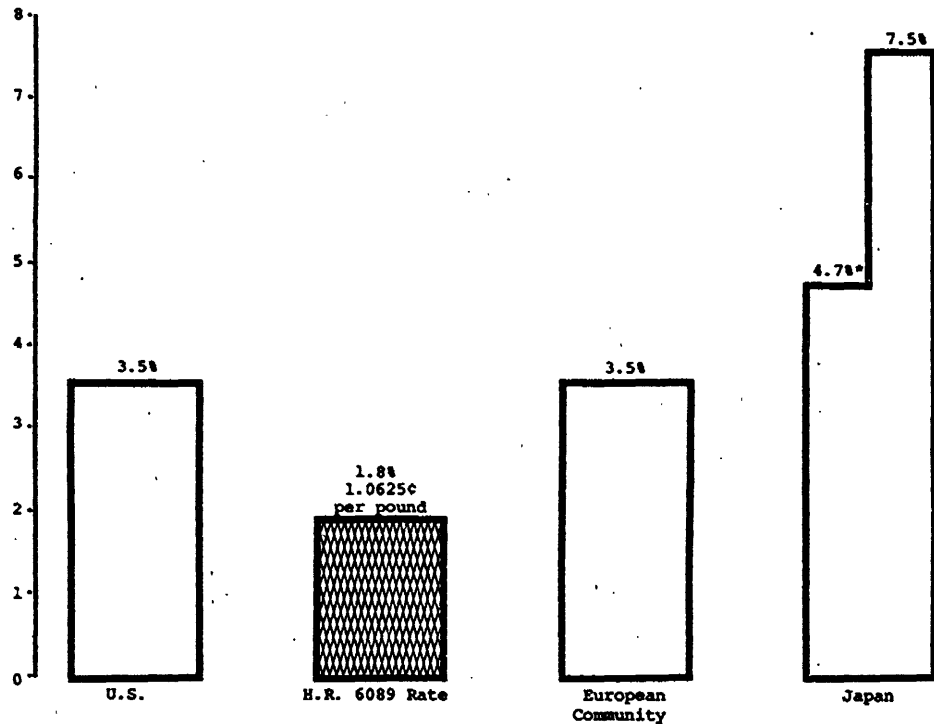
The 3.5 percent rate for the United States being equal to that of the European Community and considerably below the 7.5 percent now applicable in Japan and even below the 4.7-percent rate which will be the ultimate target of the Japanese tariff reduction.

The 1.06 cents rate which is being urged upon you, as you can see, is the equivalent today of about 1.8 percent.

[The chart referred to follows:]

PERCENT

TARIFF RATES ON UNWROUGHT LEAD



*Final rate after 7 years.

Mr. MUTH. We are, already sir, one of the most open markets in the world for lead in times of long supply. I am afraid what is being urged today would make us even more vulnerable.

We also believe that we ought to stick to the rate that was negotiated in the multilateral negotiations. These negotiations were carried out in accordance with U.S. trade policy. We won some concessions, or so I am told, for the reductions that were made.

I do not think it is in the interests of the United States, or in the long-term interest of free trade, for us to unilaterally reduce our duty so soon after completion of multilateral negotiations.

The lead industry is cyclical, exceedingly cyclical, but I would have to take exception to the remark that was made with respect to the recent lead price increases. Compared with what has happened to the price of copper or silver or gold or molybdenum, the price of lead has not surged. This is not that unusual. Metal prices are very strong today through the world. Whether they will be so this year remains to be seen.

The lead market is already showing significant signs of weakening. But we are in this regard no different from any of the other base metals.

H.R. 6089, sir, would have the effect of reinstating a specific rate of duty and in inflationary times, that simply will not be adequate, sir.

Senator RIBICOFF. Let me ask you, do you gentlemen represent practically the entire productivity of lead in this country?

Mr. MUTH. No, sir.

Senator RIBICOFF. Primary lead?

Mr. MUTH. About 60 percent of the lead produced in the United States is produced from secondary, or scrap, sources.

Senator RIBICOFF. Concerning the lead we are talking about, unwrought lead, do you represent the basic producers of this commodity?

Mr. MUTH. Of the primary lead? Yes, sir.

Senator RIBICOFF. Is your production equivalent to the basic needs in this country?

Mr. MUTH. We are closer today, Mr. Ribicoff, to self-sufficiency in lead than we have ever been before. Our imports today, our net imports, run about 14 percent of consumption.

With the increased price that we have seen in the last year there are now underway plans to expand mine production in Missouri. We also have an underutilization of primary smelter capacity in this country.

Senator RIBICOFF. How long would it take you to expand mine production?

Mr. MUTH. One major mine expansion is underway now and is already yielding results and will be completed by 1981.

We do have the capacity to expand production, to do it in the relatively near term. Particularly if we could manage to attract more imported concentrates, ores. We have unused smelting capacity in the United States. It is unused, sir, because those of us who purchase ores in the international marketplace must compete against our friends in Europe and Japan and that duty schedule that you see there, sir, does not make it any easier for us.

Senator RIBICOFF. The American companies do not export this product?

Mr. MUTH. Not on a net basis. There are some exports every year, material moving back and forth from Canada for example. There are some exports.

Lead scrap flows out of the United States in sometimes unfortunate quantities, again attracted by higher prices overseas.

Senator RIBICOFF. But here, if it takes you until 1981 to expand your capacity, this bill only requested a 2-year extension or a 2-year leeway. That would take you right up to where you could go into production for self-sufficiency?

Mr. MUTH. I am sorry, Senator. I do not want to mislead you on that.

First of all, self-sufficiency is a function of not only supply but of demand and what we are seeing at the moment is a deterioration of demand in the United States to the point where our primary lead industry in December experienced shipments of product at an 11-year low.

We are looking currently at a very soft market for lead. The prices have reflected this. Prices are down some 21 percent in the last 3 months.

Senator RIBICOFF. In other words, do you feel that, today, your production is sufficient to take care of American needs?

Mr. MUTH. On a net basis, sir, we are very, very close.

Senator RIBICOFF. I am just curious. Are the batteries that go into foreign cars produced abroad, or are they produced in this country?

Mr. MUTH. I would have to assume they are produced abroad. I do not know the answer.

Senator RIBICOFF. I am just wondering, though about the shipping costs. Would it not pay to purchase a comparably priced battery in this country for foreign cars?

Mr. CARLISLE. Senator, can I comment? I am Charles Carlisle.

I think most of the batteries coming on foreign cars are produced abroad. It is important, though, to understand that the American battery industry has the great bulk of battery sales in this country. They have an 8-percent duty protecting them, that is why, and by my calculations about 2.5 percent or less of the batteries sold in the United States are foreign batteries and even a smaller amount incidentally of the gasoline additives which are sold in the United States are imported.

These industries are, to put it bluntly, effectively sheltered from the winds of international competition and we are not.

The point, I think, of this tariff schedule up here is this. The lead market is softening. You are right. We do need some imports now. What we are concerned about is if you reduce this tariff further you get into a period of surplus and all of the excess of metal around the world, lead metal around the world, is going to flow into this market and this has happened before, Senator Ribicoff. That is why we are up here opposing this legislation.

Senator RIBICOFF. Senator Dole?

Senator DOLE. I have no questions.

Senator RIBICOFF. Senator Danforth?

Senator DANFORTH. Mr. Chairman, let me say I am not disinterested in this. As you pointed out, Missouri is a lead-producing State. As a matter of fact, some 85 percent of the lead produced in this country is produced in the State of Missouri.

Whole communities are really, for all practical purposes, totally dependent on the lead industry in Missouri, both in the mining of lead and in the smelting of lead.

Therefore, clearly, trade policy with respect to lead is something that is of economic consequence to people who in the case of, say, Viburnum, Mo. They are not close to any other community. That is it.

I wonder if it would be possible, Mr. Chairman, if these witnesses could submit for the record, if they have not already, some sort of chart or graph which would indicate the cyclical nature of profitability in the lead industry? Would that be possible for you to do?

Mr. MUTH. We would be happy to do that, sir.

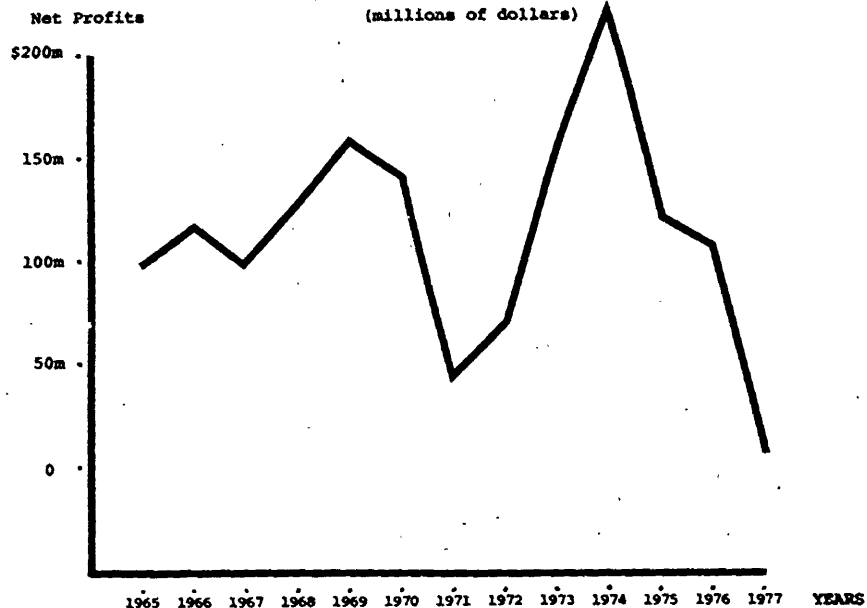
[The material referred to follows:]

STATEMENT ON CYCLICAL NATURE OF U.S. PRIMARY LEAD PRODUCING INDUSTRY

The following three charts demonstrate the cyclical nature of profitability of the U.S. primary lead industry. Chart 1 demonstrates the fluctuations in net profits for the four companies which are the primary lead producers in the U.S., from 1965 through 1977. Chart 2 shows the fluctuations in levels of stocks from 1970 through the end of 1979 and Chart 3 shows the shifts in price changes for pig lead over the same period. Both Chart 1 and Chart 3 have been discounted for inflation. All three charts demonstrate the cyclical nature faced by U.S. primary lead producers and Charts 2 and 3 indicate that the primary producers are again facing a downturn in the market.

Chart 1

ANNUAL COMBINED NET PROFITS OF U.S. PRIMARY LEAD PRODUCERS,^{1/}
DEFLATED FOR INFLATION,^{2/} 1965-1977



1/ Data for AMAX Inc., ASARCO Incorporated, Gulf Resources and Chemical Corporation and St. Joe Minerals Corporation.

2/ Profits were deflated by the Producer Price Index for Industrial Commodities -- PPI 03.-

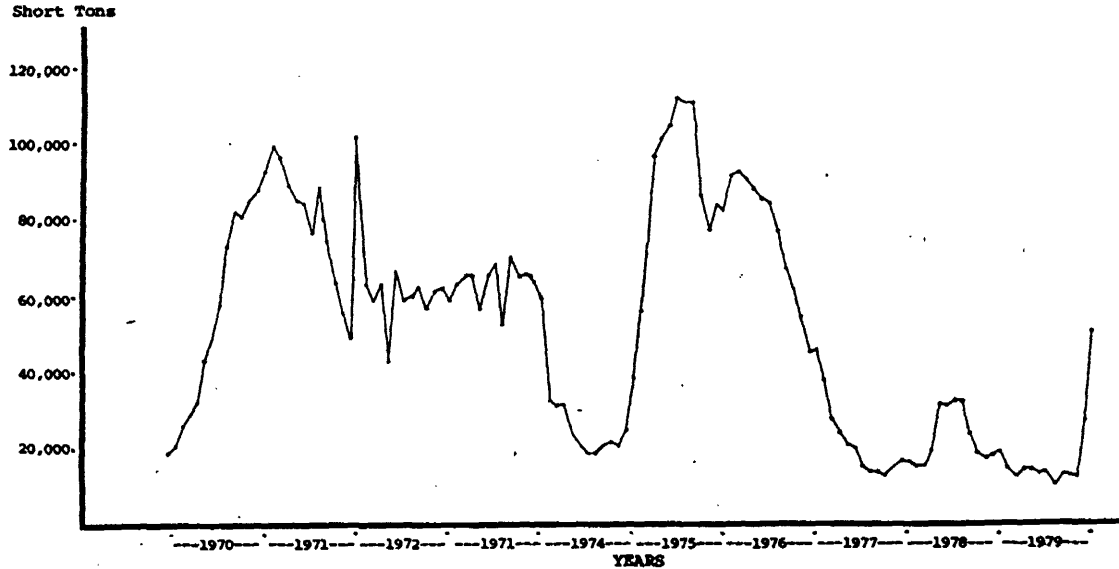
Source: Various annual reports and the Bureau of Labor Statistics Producer Price Index for Industrial Commodities -- PPI 03.

Chart 2

PRODUCERS' STOCKS OF REFINED LEAD IN THE UNITED STATES,

1970-1979

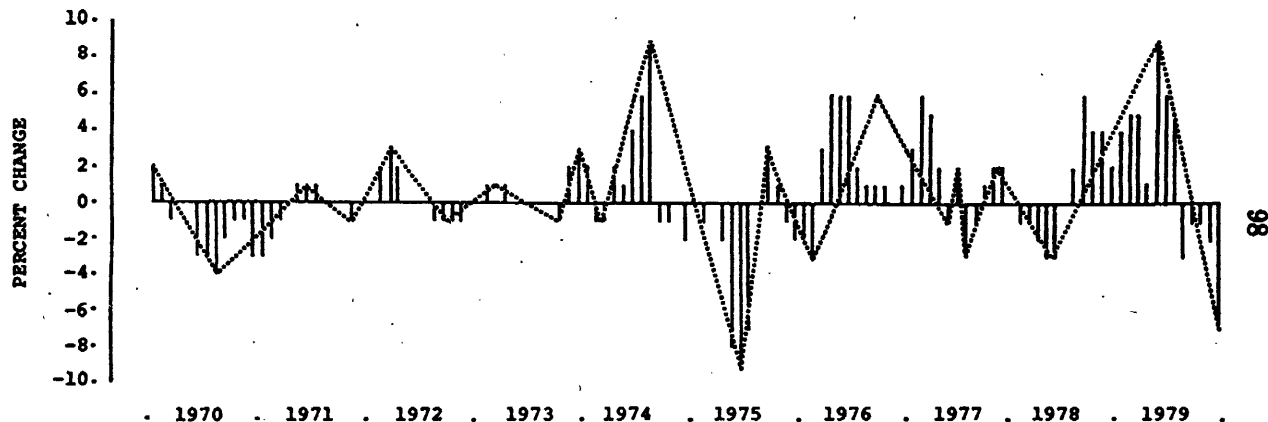
(in short tons)



Source: American Metal Market, Metal Statistics 1974 and Metal Statistics 1979.

Chart 3

PERCENT CHANGE OF A THREE-MONTH RUNNING AVERAGE IN THE
REAL PRICE OF COMMON PIG LEAD,^{1/}
MONTHLY, 1970-1979



Note: The oscillating dotted line demonstrates the cyclical price behavior of lead metal.

^{1/} Prices were deflated by the Producer Price Index for Industrial Commodities - PPI 03.

Source: Bureau of Labor Statistics, Producer Price Indexes for Industrial Commodities
- PPI 03 and Common Pig Lead - PPI 10220111.

Senator RIBICOFF. That would be appreciated.

The thought that develops with this particular type of hearing—and I would suggest to my colleagues who will be here next year when I am not and to the staff, that there be a consideration of it by the Office of the Trade Representative and our staff in this committee—is that where you have a large import of a finished product that consists of many components and there are domestic sources of the components, whether something should not be worked out so that many of those domestic components go into the foreign imports.

Certainly when you talk about batteries which are heavy, there is no reason why the large imports of German and Japanese cars should not be required in our trade agreements to have American-produced batteries, or American-produced tires, or American-produced components which are interchangeable and come up to a standard that could be delivered by American companies.

And I think this is something worth exploring when we consider the international factors of trade today.

If there are no other questions—

Senator DANFORTH. Mr. Chairman, if I could just ask a couple more questions.

I wonder if the witnesses know what the present duties are on batteries and also on gasoline additives?

Mr. MUTH. Yes, sir.

There was a statement made earlier that the duty on tetraethyl lead has been cut by 50 percent. I think it is worth pointing out it has been cut by 50 percent from 15 to 7.5 percent over a period of the next several years.

Senator DANFORTH. So that the duty on tetraethyl lead for gasoline would be more than twice the duty on lead.

Mr. MUTH. We would be delighted to change places with them in that regard, yes, sir.

Senator DANFORTH. How about batteries?

Mr. MUTH. Batteries vary, according to category, but they run roughly between 7 and 8.5 percent.

Senator DANFORTH. Again, roughly double?

Mr. MUTH. Yes, sir.

Senator DANFORTH. Now, just one final question.

For the lead industry in your dealings with the Government in trying to adjust to changing times and environmental regulations and so on, has this been a period of stability, smooth sailing for the industry, or have there been problems which pose real economic threat to the industry and may pose a more serious threat in the foreseeable future?

Mr. MUTH. I would like to ask Mr. Carlisle, or anyone else, to respond to that. Let me say, our experience is if this is the cavalry, we did better with the Indians.

Mr. CARLISLE. Senator Danforth, as you know, we are confronting extraordinarily severe EPA and OSHA lead regulations, so severe that—and I might add, unnecessarily stringent in our judgment—that the technology does not exist to meet it.

We will have to lay out, as an industry, hundreds of millions, I dare say billions of dollars, over a billion dollars, before it is all over to meet these standards.

Now, the point was made earlier by one of the other witnesses that, they, too, confront these EPA and OSHA standards and that is correct. The difference is this.

They have a much higher tariff protection than we have and we are going to have to take on this task, subject, as I say, to severe import competition, import competition which they do not have.

Mr. RUPPE. Senator, I am Phillip Ruppe with AMAX.

One of the concerns my company has is not really a battle with another type of industry but our company really feels that the American tariff is as low as the tariff in any other country, as low as the European Community, substantially less than that tariff now exercised by Japan, or even by Japan 7 years in the future when its own tariffs are reduced.

What AMAX is concerned with, why should we unilaterally cut the tariff and get nothing from our trading partners? It would be a unilateral move, and it seems to me it would put the lead industry, as AMAX perceives it, in a disadvantageous position just shortly after the MTN negotiations had been concluded and the world agreed to a uniform tariff schedule.

In our opinion, for the Americans to drop their own tariff at this particular time and get nothing in exchange from either the European Community or Japan seems to be an unwise move from a tariff point of view.

We are not competing with another lead producer. Why make a unilateral cut when no one else is prepared to do the same thing?

Senator RIBICOFF. Thank you, gentlemen.

Mr. WICKHAM. May I add one comment on stability and environmental cost?

Simply speaking for the Bunker Hill Co. over the past 5 years, our expenditures on environmental cost-related items have outstripped our profits by a factor of 3-to-1.

Senator DANFORTH. Thank you, Mr. Chairman.

Senator RIBICOFF. Thank you, gentlemen.

Without objection, there is a statement from Senator Nelson which will go into the record at the appropriate place.

[The prepared statements of Senator Nelson and Mr. Muth follow:]

STATEMENT OF SENATOR GAYLORD NELSON

The goal of the recently-completed Tokyo Round of the Multilateral Trade Negotiations was to reduce tariff and non-tariff barriers to the free flow of international trade.

As part of the Tokyo Round, the United States converted specific rates of duty on a number of imported items to their ad valorem equivalents based on the value of these imports in 1976. It is my understanding that these conversions were not intended to significantly increase the actual tariff collected.

As the result of this process, the ad valorem rate of duty on imports of unwrought lead, effective January 1, 1980, is 3.5 percent.

At about the same time this change was negotiated, however, lead prices increased dramatically. They shot up from 21 cents per pound in 1976 to about 50 cents per pound today. Because the ad valorem tariff is computed as a percentage of the price, the tariff rose at a similar rate.

This has imposed a great burden on lead users and consumers in the United States. Prior to the tariff conversion, the duty on unwrought, unalloyed lead was 1.0625 cents per pound. At today's lead prices, it is 1.75 cents per pound, which represents a 60 percent increase in the tariff.

Thus, while the whole purpose of the trade negotiations was to lower tariffs and other barriers to trade, the result in the case of lead imports is a significantly higher tariff.

The increased tariff will not only cause the price of imported lead to increase, but will also have the effect of causing the price of domestically-produced lead to rise to an equivalent level. The net effect will likely increase costs to the lead-using industries and their customers by about \$21 million a year.

This added burden will come at a time when at least one of the major using industries, the automotive battery industry, is already experiencing a decline in sales which appears, in part, to be the direct result of increased prices and is consequently being forced to cut back production and lay off employees.

Therefore, I introduced legislation yesterday (S. 2250) which will correct this inadvertent tariff increase. This measure suspends for two years the 3.5 percent ad valorem tariff and retains for that two-year period the prior specific rate of duty of 1.0625 cents per pound. During those two years, lead price levels can be observed so as to arrive at a proper rate of duty, one which can achieve a happy medium for those adversely affected when the price is high and for those who are adversely affected when the price is low. If necessary, further negotiations with our trading partners can provide a rate of duty which may be more appropriate than the 3.5 percent rate.

In my judgment, it is important to emphasize that the United States is a net importer of lead. U.S. lead requirements considerably exceed U.S. production. A higher tariff is not, therefore, needed to protect U.S. producers or their employees from foreign competition.

I was prepared to offer the substance of this bill in the waning days of the last session of Congress as an amendment to the Windfall Profits Tax bill, but upon the assurance of the manager of that bill, the Chairman of the Finance Committee, that a hearing on such a proposal would be held by the Committee early this year, I did not offer my amendment at that time. I am pleased that the Finance Committee's Subcommittee on International Trade, chaired by Senator Ribicoff, took testimony today on the subject matter of this bill, which is also embodied in H.R. 6089, introduced last December in the House of Representatives. After the hearing, I would hope that the Finance Committee will expeditiously report the measure favorably to the Senate.

TESTIMONY OF U.S. PRIMARY LEAD PRODUCERS, PRESENTED BY ROBERT MUTH, VICE
PRESIDENT, ASARCO INC.

SUMMARY OF PRINCIPAL POINTS

The domestic primary lead producing industry opposes the enactment of H.R. 6089 for the following seven basic reasons:

The recently negotiated 3.5 percent duty on imported lead metal is low by historic U.S. standards and is at parity with the duty of the European Community and lower than that of Japan and Mexico, making the U.S. one of the most open lead markets in the world.

The current 3.5 percent duty was arrived at in recent multilateral and bilateral negotiations in accordance with U.S. trade policy favoring reciprocal tariff reductions. Further reduction by unilateral action by the U.S. is not consistent with our trade policy, or with our long-range national interests, including our interest in freer trade.

The lead industry is cyclical, and subject to sudden and prolonged periods of slack demand and depressed price. Even though the price rose in 1979, it has dropped in the last three months by 21 percent. Domestic lead shipments fell precipitously in the last two months of 1979 to the lowest level in at least two years. At the same time stocks at our plants rose substantially to a level at the end of 1979 at least three times what they were two years earlier.

H.R. 6089 would have the effect of reinstating a specific rate of duty, 1.0625 cents per pound of lead. The recently negotiated change from a specific rate of duty to an ad valorem rate was in accordance with overall U.S. trade policy and in agreement with our trading partners. It was intended to facilitate the maintenance of parity with our trading partners and competitors. In times of rapid inflation, specific rates of duty quickly become obsolete. The more to an ad valorem rate was proper and to shift back to a specific rate of duty would be improper.

The U.S. lead smelting and refining industry is facing enormous costs to comply with recently enacted EPA and OSHA regulations. These regulations are far more onerous than are those in the principal lead exporting countries. We seriously

question whether it is in the national interest unilaterally to reduce the U.S. tariff on lead metal at the very time agencies of our government are demanding that the domestic industry make major long-term commitments to new plant and equipment, and to assume the risk of investment in new and untested technology.

H.R. 6089 would impair the ability of non-integrated U.S. smelters and refineries to bid successfully for raw materials—ores and concentrates—in the world market. The limited tariff protection helps assure U.S. producers a sufficient return to bid competitively.

The U.S. lead industry is closer today to national self-sufficiency than at any time in the past 40 years. If we are permitted to enjoy a position of parity with our foreign competition, we have the capacity to increase production and to reduce the nation's dependence on imported metal.

TESTIMONY OF ROBERT MUTH, VICE PRESIDENT, ASARCO INC.

INTRODUCTION

I am Robert Muth, Vice President of ASARCO Incorporated. This testimony is presented on behalf of the following U.S. producers of lead, which companies account for virtually all U.S. primary refined lead production: AMAX Inc., ASARCO Inc., The Bunker Hill Co., Subsidiary of: Gulf Resources & Chemical Corp., and St. Joe Minerals Corp.

Each of the four companies is represented today on our panel. Present with me are Charles Carlisle, Vice President of St. Joe Minerals Corp.; Phillip E. Ruppe, Director of Washington Services of AMAX Inc.; and Gary Wickham, Vice President of Bunker Hill Company. We are accompanied by Lyn Schlitt of the law firm of Covington & Burling, and Stanley Nehmer, President of Economic Consulting Services Inc.

The four companies represented on this panel oppose enactment of H.R. 6089 and urge instead retention of the recently negotiated 3.5 percent ad valorem duty on imports of unwrought lead. We oppose H.R. 6089 for the following seven reasons:

The recently negotiated 3.5 percent duty on imported lead metal is low by historic U.S. standards, and is at parity with the duty of the European Community and lower than that of Japan, and Mexico, making the U.S. one of the most open lead markets in the world.

The current 3.5 percent duty was arrived at in recent multilateral and bilateral negotiations in accordance with U.S. trade policy favoring reciprocal tariff reductions. Further reduction by unilateral action of the U.S. is not consistent with our trade policy, or with our long-range national interests, including our interest in freer trade.

The lead industry is cyclical, and subject to sudden and prolonged periods of slack demand and depressed price. Even though the price rose in 1979, it has dropped in the last 3 months by 21 percent. Domestic lead shipments fell precipitously in the last two months of 1979 to the lowest level in at least two years. At the same time stocks at our plants rose substantially to a level at the end of 1979 at least three times what they were two years earlier.

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The U.S. lead smelting and refining industry is facing enormous costs to comply with recently enacted EPA and OSHA regulations. These regulations are far more onerous than are those in the principal lead exporting countries. We seriously question whether it is in the national interest unilaterally to reduce the U.S. tariff on lead metal and the very time agencies of our government are demanding that the domestic industry make major long-term commitments to new plant and equipment, and to assume the risk of investment in new and untested technology.

HR 6089 would impair the ability of non-integrated U.S. smelters and refineries to bid successfully for raw materials—ores and concentrates—in the world market. The limited tariff protection helps assure U.S. producers a sufficient return to bid competitively.

The U.S. lead industry is closer today to national self-sufficiency than at any time in the past 40 years. If we are permitted to enjoy a position of parity with our

foreign competition, we have the capacity to increase production and to reduce the nation's dependence on imported metal.

THE U.S. TARIFF RATE WAS ALREADY CUT TWICE

The current 3.5 percent rate of duty is low by both historic U.S. standards and in comparison with international standards. Prior to the recent Geneva trade negotiations, the U.S. duty on unwrought lead was 1.0625 cents per pound. This specific rate of duty had been in place for over 25 years, and had afforded substantial protection to the domestic industry until its effectiveness was eroded by the double digit inflation of the mid-1970s. In the 1960s, after the Kennedy round of tariff adjustments, the ad valorem equivalent was never below 6.3 percent. From 1965 through 1970 the average ad valorem equivalent was about 7 percent. As late as 1973, with lead selling at what was then a 20-year high of 19 cents per pound, the old fixed rate of duty amounted to an ad valorem equivalent of 5.5 percent. But in the late 1970's with metal prices rising to reflect rapid inflation in the U.S. and a weakening U.S. currency, the ad valorem equivalent of the fixed rate rapidly dwindled.

It was, therefore, reasonable that our negotiators agreed to a formula that assigned to the old fixed rate an equivalent rate of 5.2 percent ad valorem using 1976 as a base year. The further agreement of the U.S. negotiators to a reduction to 4 percent represented a substantial concession, given in exchange for a reciprocal cut in the Japanese tariff. Moreover, the Japanese opted for an eight-year phasing of their new lead tariffs, while the U.S. determined to begin the tariff for lead on January 1, 1980.

No sooner had agreement been reached at Geneva when the 4 percent U.S. rate was cut again, this time in bilateral negotiations with Mexico, to 3.5 percent. The U.S. industry was consulted during these negotiations and did not object to the further reduction to 3.5 percent because it put the U.S. duty at parity with the EC.

By January 1, 1980 when the 3.5 percent rate became effective, it represented the lowest sustained level of lead duties in modern U.S. history. And, at 3.5 percent, the U.S. is now on a parity with the European Community, and is substantially below the level of Japan, and Mexico.

H.R. 6089 would require a further tariff cut to approximately 1.8 percent ad valorem for two years. This would mean that the U.S. would reduce its tariff overall by more than 65 percent, a much more substantial cut than that negotiated in the MTN. In effect, the U.S. would be granting further concessions to our foreign competitors without reciprocity. The total intention of the MTN was to reduce tariffs reciprocally. After all the hard negotiating done in Geneva, including the work contributed by this Committee, is this sound trade policy?

We think not. Any unilateral cut of the tariff on this item is totally unwarranted.

THE U.S. LEAD MARKET IS HIGHLY CYCLICAL AND PRICES ARE CURRENTLY DROPPING

The lead market has been strong throughout the world for the past couple of years. It is, however, like many other metals, highly cyclical, and the future is uncertain. Periods of depressed demand, low prices, and in the United States, rising imports, are not uncommon in lead metal business. For example, the average price as quoted by Metals Week for U.S. producer prices of lead dropped from 63 cents per pound on October 26, 1979 to 50 cents per pound as of January 8, 1980, a decline of 21 percent in the past 3 months, a period also marked by falling demand and increasing stocks of lead.

Domestic lead shipments fell precipitously in the last two months of 1979 to the lowest level in at least two years. At the same time stock level at our plants rose substantially at the end of 1979 to at least three times what they were two years earlier.

Lead is a homogenous product, a true commodity. There are no major variations in the qualities of the metal produced in different nations. The result is that consumers are able to switch easily among suppliers on the basis of price. Any decrease in the price of lead imports, no matter how small, can cause injury to the domestic industry, and can set off a rapid downward price spiral. To deprive the industry of the current tariff which, while modest, partly offsets the effects of the cyclical imbalances in the international lead market, would be unjustifiable, especially in light of the virtual certainty that the price of lead will continue to fluctuate through up and down cycles.

Uncertainty prevails even in the very short term, due to the impact on the supply-demand balance of buying by the Eastern bloc nations. It is widely accepted that unanticipated Soviet purchases were in large measure responsible for the price

levels reached in 1979. No one in the industry is capable of predicting what actions the Soviets will be taking this year, or even this month.

AD VALOREM RATES ATTEMPT TO COMPENSATE FOR INFLATION

H.R. 6089 would have the unhappy consequence of reinstating a specific rate of duty in place of an ad valorem rate. The total inadequacy of specific rates of duty in periods of rapid inflation is well illustrated by what happened to the U.S. duty on lead in the late 1970s.

In the MTN negotiations, an agreement was reached that all countries change their specific tariff rates for most items under negotiations to ad valorem rates. Because most nations used ad valorem rates, the change in tariff structure was desired in order to make it easier to compare tariffs among trading partners, and to facilitate the tariff equalization policies of the United States and other governments. The U.S. change to ad valorem rates was made in consultation with U.S. producers, consumers, and government advisors on each product classification and category.

Ad valorem rates have the important advantage of automatic adjustment to changes in price levels, compensating for inflation and price depression, and avoiding the confusion and inequities caused by specific rates and fluctuating currencies. With present projections of a continuing rate of inflation in the U.S. of 10 percent and higher, there is no justification for a return to specific duties.

THE U.S. LEAD INDUSTRY IS ALREADY SEVERELY IMPACTED BY EPA AND OSHA REQUIREMENTS

The domestic lead industry bears an unusually heavy burden in costs to comply with pollution control regulations. The industry has already invested large sums to comply with Environmental Protection Agency (EPA) requirements for emissions of sulfur dioxide and particulates—in the form of both capital costs, which are still being amortized by individual plants, and increased operating costs. In addition, the industry faces substantially higher future costs posed by recently enacted EPA and OSHA lead standards. These new standards are widely recognized as technologically and economically unattainable, requiring a virtual recapitalization of the entire primary and secondary lead industries. Some estimates place the cost of attempting to comply at something in excess of \$1 billion. In promulgating the standards, EPA and OSHA acknowledged the significant costs of strict compliance, which could result in the demise of the industry. EPA Administrator, Douglas Costel declared that it may be necessary to seek congressional relief to prevent severe dislocations in the industry.

During the last year, the agencies have indicated a willingness to cooperate with industry in resolving this dilemma; EPA and OSHA have commissioned a major, two-year study to evaluate the nature of lead exposure and to analyze technology and economics of compliance, and several companies have indicated an intention to cooperate in the study.

In the end, we believe that common sense will prevail, and that the industry will not be required to do the impossible. There can be no doubt, however, that we will be called upon to spend large sums to minimize environmental and employee exposure to lead. It would be self-defeating indeed for the nation, as well as for the industry and its customers, to reduce the minimal protection offered by the 3.5 percent ad valorem tariff just at a time when our financial resources are to be taxed in this way.

SPECIAL COMPETITIVE PROBLEMS OF NON-INTEGRATED SMELTERS WOULD BE EXACERBATED BY DUTY REDUCTION

H.R. 6098 would be especially harmful to the two companies represented here that are custom smelters and refiners of lead: i.e., those companies that are nonintegrated, and must compete in highly competitive, international markets for a limited world supply to lead ores and concentrates to feed their smelters. The outcome of this competition should be dependent upon the individual plant's ability to bid successfully for lead raw materials based on its production costs. Unfortunately, U.S. lead smelters and refiners have been unable to attract sufficient feed to maintain operations in recent years because other industrialized nations such as Japan impose a higher tariff on refined lead while importing ore duty free. This in turn, enables their processing industries to bid more aggressively—and successfully—for lead ores and concentrates. The practice, which is particularly prevalent in Japan but which also exists in the EC, is a direct result of a clearly defined policy on the part of competing nations to encourage their own domestic smelting and

refining industry and to assure stable sources of refined metals to their domestic fabricating industries.

The evidence is that U.S. lead smelters and refineries are in fact competitive from the standpoint of costs and technology with other nations. Yet, the contrast in attitude and policies affecting competitiveness between other industrialized nations and our own country could not be greater. For example, the United States remains the only industrialized nation to maintain a tariff on imported metal bearing raw materials, while at the same time minimizing tariffs on refined metal. Government regulations enacted in recent years have substantially added to U.S. smelting costs, which combined with the effect of price restrictions on domestically sold refined lead metal have hampered the ability of the nonintegrated industry to compete effectively for lead raw materials.

Without the minimal 3.5 percent ad valorem duty the U.S. lead custom smelting and refining industry will be hard-pressed to compete for raw materials in the face of higher tariffs enjoyed by our competitors in other nations.

GIVEN REASONABLE TARIFF TREATMENT, U.S. LEAD PRODUCERS CAN COMPETE SUCCESSFULLY

The U.S. today is closer to being self-sufficient in lead than at any time in recent history. With the opening up of mines in the new Missouri lead belt in the late 1960's net imports of lead in ores, scrap, bullion and refined metal dropped from the 400,000 to 500,000 ton range that prevailed in the mid-1960s, to about 200,000 in the mid-1970s.

The recent upward price movements in lead, and a more or less balanced outlook for supply and demand in free world markets, has prompted some companies to actively consider, and at least one actually to undertake, substantial new investments in increased mine production in Missouri. Recent high silver prices will mean the reactivation of older silver-lead mines in the Western U.S. Moreover, U.S. custom smelting capacity is presently underutilized by a substantial margin. In the case of my own company, ASARCO, we have publicly stated that pressures from the Council on Wage and Price Stability to hold down the domestic lead price last year resulted in our being unable to bid successfully for a sufficient supply of raw materials in world markets. As a result, operations at our lead smelters at El Paso, Texas and at Helena, Montana were severely curtailed throughout the year, and our refinery at Omaha, Nebraska operated at only 60 percent of its capacity, the lowest level of operations for a non-strike year in 40 years.

With the proper incentives, with some stability of expectations, and despite the prospect of substantial costs for environmental controls, the U.S. primary lead industry can bring the nation to a level much nearer self-sufficiency in this vital raw material.

Senator RIBICOFF. I see Senator Riegle is here, so we will skip H.R. 2492 and go to H.R. 2535.

STATEMENT OF DONALD W. RIEGLE, JR., U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator RIEGLE. Mr. Chairman, thank you for calling myself and the witnesses who are with me to the table. I will very shortly introduce them to you. They come with a real problem where I think some remedy is in order.

Before commencing with the introduction, I might, if I may, having heard the preceding discussion, make a comment. If the chairman would indulge me, that is in response to my suggestion that we might want to consider in the automobile trade area some possible requirement of the use of American made batteries or tires and foreign imported cars coming into the United States.

I think that is an important idea, worth serious consideration.

As the chairman knows, today in our balance-of-payments deficit, our second biggest problem after oil is in the motor vehicle account, the deficit in that area running in excess of \$8 billion a year and worsening at the present time, and virtually every other industrial nation who has domestic automobile production has estab-

lished ways and means to see to it that they are not innundated in the same fashion that the United States has been in recent years particularly by Japanese imports.

I would hope that that would be an issue that I, and others in the Senate, could give future consideration to, as you have raised.

My purpose in coming here today is to introduce to the committee two expert witnesses from my home State of Michigan and, as I say, they come in a response to a real problem that they face for which I hope we can construct a remedy.

They are Mr. Pete Ebbing, president of Detroit Edge Tool Co. He will testify today on behalf of the Machine Knife Association. As president of the association, he will discuss the views of the tool companies represented in the association. With him is Mr. John Halloran, president, Michigan Knife Co., which is located both in my home State of Michigan and in the State of Oregon.

Chipper knives represent over 90 percent of his company's \$6 million annual sales and I commend them to you and I know they will be given every consideration by the committee.

STATEMENT OF R. R. EBBING, PRESIDENT, MACHINE KNIFE ASSOCIATION

Mr. EBBING. Thank you, Senator Riegle and Senator Ribicoff.

I am Pete Ebbing. Our association members are located in more than a dozen States. Our membership list is attached to my written statement. On my right, we have a chipper knife.

Chipper knives are used in heavy machinery to chip trees and other wood into chips for the production of pulp, paper, corrugated boxes, particle board, landscaping, sewage treatment, and most recently for wood energy.

This knife is basically a bar of tool steel, machined, heat treated, and sharpened into a knife with great durability, strength, and cutting performance. The steel in this knife is a special analysis useful only for the manufacture of chipper knives. The domestic supply of chipper knife steel has been grossly insufficient to meet our demands. Thus, American knife manufacturers have relied heavily on imports of chipper steel.

I must emphasize that chipper steel is unlike other standard tool steels which our members purchase in large quantities from American steel producers for other items.

Since American knife manufacturers import most of our chipper steel we must pay a 13-percent duty on our raw material. However, the duty on finished chipper knives, against which American manufacturers compete, is only 5 percent.

Since chipper steel is a major cost of producing chipper knives, a duty on the steel which is two and one-half times the duty on the knives places American knife manufacturers at a serious disadvantage against foreign competition.

As a result, foreign chipper knives are taking over the American market. Twenty years ago, nearly all chipper knives sold in the United States were produced here.

We estimate that today imports hold more than 60 percent of the American chipper knife market.

Enactment of H.R. 2535 could dramatically reverse this loss of American jobs, production and business opportunities.

Our industry represents in excess of 1,000 employees involved in the manufacture of machine knives.

Senator RIBICOFF. How big is the volume of chipper knife steel consumed in the United States.

Mr. EBBING. Oh, roughly about 10 million tons.

Senator RIBICOFF. Why do not American producers of steel produce this quality of steel for the American industry?

Mr. EBBING. They have said repeatedly that it is not—it is marginally profitable and not worth their time. They have been in and out of the market. Many of the steel producers have been in and out of it, taking cracks at it for 6 months or a year at a time.

Senator RIBICOFF. You think their position is justified?

Mr. EBBING. Well, I suppose if I was looking at it from their standpoint, I would not be too much interested in making the product either.

Senator RIBICOFF. From your standpoint, you feel you have no alternative but to go abroad to assure yourself of supply?

Mr. EBBING. Absolutely.

The suspension of the duty on chipper steel will have no significant impact on the domestic steel industry. The Commerce Department figures show that chipper steel imported last year was less than 0.3 percent of domestic specialty steel production for the specialty steel industry.

This is a drop in the bucket. For the chipper knife manufacturers, it represents our life blood.

In 1978, the President exempted chipper knife steel from the specialty steel quotas. Without that exemption, some of our members would have been forced to leave the chipper knife market. The same reasons which supported the quota exemption also support a suspension of the duty on chipper steel.

Mr. Halloran had some remarks to make, and I would appreciate it if you could extend him a couple of minutes in view of the questions that were asked of me.

Senator RIBICOFF. Where do you get the chipper knife steel, from what countries basically today?

Mr. EBBING. Basically from Germany and Sweden.

Senator RIBICOFF. Does somebody else want to make a comment?

Mr. HALLORAN. I can attest it is basically Germany and Sweden at this time.

Senator RIBICOFF. Senator Dole?

Senator DOLE. I have no questions.

Senator RIBICOFF. I think we understand it. As we understand it, the opposing position will be taken by Mr. Williams and Mr. deKieffer, is that correct? They are opposed to this?

Mr. REICHARDT. Senator, because of the questions, would it be possible for Mr. Halloran to give his comments?

Senator RIBICOFF. Sure.

STATEMENT OF JOHN E. HALLORAN, PRESIDENT, MICHIGAN KNIFE CO.

Mr. HALLORAN. Thank you, Mr. Chairman. My name is John Halloran, president of Michigan Knife Co., of Grand Rapids, Mich., and Springfield, Oreg. Our principal line of business is the produc-

tion and sale of chipper knives. Our company faces fierce competition from foreign knives.

As I explained in my written testimony, the disparity between the duty on chipper steel and the duty on chipper knives gives our foreign competitors a significant cost advantage, simply as a result of U.S. tariffs.

The 13-percent duty on chipper steel would not be a problem for us, if we did not have to import the bulk of our raw materials, but we must. I can testify firsthand that domestic steel producers have not been a consistent and sufficient source of supply for Michigan Knife.

Over the years, I have asked a number of domestic steel producers to supply chipper steel. Only two companies have done so. The others indicated either they are not interested or their prices would be far in excess of world market.

Recently our latest domestic supplier announced drastic price increases. We cannot pay such high domestic steel prices and sell our knives at a profit in the face of foreign competition.

Therefore, Michigan Knife now relies exclusively on foreign imports of chipper steel. History shows that the domestic steel industry does not have a strong interest in manufacturing chipper steel.

The steel industry experts have indicated chipper steel is only marginally profitable. Domestic steel producers will make it only when their orders of other grades are low.

When the demand for other grades increases, domestic steel producers delay their production of chipper steel.

Recently, Bethlehem Steel announced its intention to manufacture chipper steel. However, the Bethlehem analysis is not the traditional chipper knife steel analysis described in H.R. 2535, but a skinnier analysis that has had, at best, mixed results in its limited field tests and is priced above the world market price for chipper steel.

Because of our past problems dealing with domestic steel producers as well as the experimental nature and high price of Bethlehem's product, we cannot rely on their recent promises as a basis upon which to plan our production for the next 2 years.

If H.R. 2535 is not enacted and American knife manufacturers continue to lose ground to foreign imports, there will be no one to buy chipper steel from the domestic steel producers.

Mr. Chairman, H.R. 2535 was passed by the House of Representatives and has the support of the executive branch. On behalf of my company, my workers, and the other manufacturers, I urge you to report this favorably to the full Senate.

Senator RIBICOFF. What is the annual production value of chipper knives in the United States? What is the size of this market?

Mr. HALLORAN. I would venture the size of the entire chipper knife market is \$28 to \$30 million.

Senator RIBICOFF. Thank you very much.

[The prepared statements of the preceding panel follow. Oral testimony continues on p. 172.]



Detroit

EDGE TOOL COMPANY

Manufacturers of
MACHINE KNIVES
MACHINE WAYS

January 15, 1980

The Honorable Russell B. Long
Chairman, Committee on Finance
U. S. Senate
2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Dear Senator Long:

As you probably know, H.R. 2535, a bill to suspend the import duty on chipper knife steel, passed the House of Representatives on December 3, 1979.

As President of the Machine Knife Association, which represents companies involved in the manufacture of chipper knives, and as President of Detroit Edge Tool Company, manufacturers of machine knives, I am writing to request your support for this bill when it is ready for Senate approval.

Enclosed is a copy of testimony on H.R. 2535 which was given by Mr. Jay Halloran, President of Michigan Knife Company, and me at a hearing held by the House Subcommittee on Trade on July 27, 1979.

Briefly, the points that were brought out in our testimony are as follows:

1. Duty on chipper knife steel is approximately 2-1/2 times the duty on finished chipper knives.
2. This grade of tool steel is practically unobtainable from domestic producers.
3. Chipper knife imports represent nearly 80% of the domestic chipper knife market.
4. Chipper knives are essential to basic industries, such as; paper, corrugated boxes, particle board, sewage treatment.
5. Wood chips are being seriously considered as an energy source.

Chipper knife steel has already been exempted from the Specialty Steel Import Quota, as the International Trade Commission accepted evidence that there was insufficient production of domestic chipper knife steel to meet the demand. The two domestic manufacturers of chipper knife steel indicated in testimony before the International Trade Commission that this particular grade of steel is not an important factor to the U. S. specialty steel producers.

I respectfully request your cooperation and support both in passage of this legislation and in obtaining quick committee action when it comes before your committee. If you have any further questions, or if I can be of additional assistance, please let me know.

Yours very truly,

DETROIT EDGE TOOL CO.


R. R. Ebbing
President

RRE/clm

Encl.

cc G. Reichardt
J. Halloran
T. Dolan

Before The
Subcommittee On Trade
Ways and Means Committee
United States House of Representatives

STATEMENT OF
MR. R. R. EBBING

President
Detroit Edge Tool Company
6570 East Nevada Avenue
Detroit, Michigan 48234
(313) 366-4120

ON BEHALF OF THE
MACHINE KNIFE ASSOCIATION

IN SUPPORT OF H.R. 2535
TO SUSPEND THE DUTY ON
CHIPPER KNIFE STEEL

July 27, 1979

STATEMENT OF R. R. ("PETE") EBBING
MACHINE KNIFE ASSOCIATION

Summary of Principal Points

(1) Domestic chipper knife manufacturers rely heavily on foreign imports of chipper knife steel because the U.S. supply of this particular alloy steel has been grossly insufficient and inconsistent. In this regard, chipper knife steel is quite unlike the many other grades of specialty steel which domestic knife manufacturers can and do purchase from American specialty steel companies in large quantities.

(2) The rate of duty on chipper knife steel -- including the duties on special metals contained in this alloy -- is approximately 13 percent, whereas the duty on finished chipper knives is only 5 percent.

(3) Since chipper knife steel accounts for a major portion (50 to 70 percent) of the cost of producing chipper knives, the substantial disparity between the duty on the steel and the duty on the knives places domestic knife manufacturers at a serious disadvantage in competing against foreign knife imports.

(4) The domestic share of the chipper knife market has decreased dramatically during the past 10 to 20 years, in major part because American chipper knife manufacturers have been caught between the restrictions and relatively high duties on importation of chipper knife steel from abroad and the insufficient supplies of such steel from U.S. sources.

(5) The President determined last year that it would be "in the national interest" to exempt chipper knife steel from the import quotas on specialty steel. The President made this determination after receiving advice from the U.S. International Trade Commission, the Office of the Special Trade Representative, and the Cabinet Departments represented on the interagency trade policy committee. Representatives of both the chipper knife industry and the specialty steel industry urged the President to exempt chipper knife steel from the import quotas! This exemption was made more than a year before the President decided to phase out quotas on specialty steel generally.

(6) Imports of chipper knife steel are insignificant in comparison to domestic specialty steel production and foreign imports of all specialty steels. According to the U.S. Department of Commerce, average monthly imports of chipper knife steel since the removal of the quotas last year have been less than 300 tons. During that same time period, average monthly shipments of specialty steel by U.S. producers were almost 100,000 tons, and average monthly imports of specialty steel were approximately 13,000 tons.

(7) Firms throughout the machine knife industry consume large quantities of steels other than chipper knife steel from domestic specialty steel companies. We seek a suspension of the duty on chipper knife steel--and chipper

knife steel only--because of the difficulties our members have had in obtaining adequate supplies of this particular alloy analysis from domestic sources at prices knife manufacturers can afford to pay in the face of competition from imported chipper knives.

(8) The high duties on chipper knife steel severely disadvantage domestic chipper knife manufacturers without providing any significant advantage to domestic specialty steel producers. Indeed, the steel imports which these high duties are intended to discourage are merely entering the United States in the form of finished knives--to the detriment of both the steel and the machine knife industries.

(9) Enactment of H.R. 2535 will directly benefit the manufacturers of chipper knives, their employees, their customers (who ultimately pay the steel duties), and their suppliers (who will profit as the domestic chipper knife industry expands). In addition, the suspension of the duty on chipper knife steel will encourage more knife manufacturers to enter or re-enter the American chipper knife industry.

(10) Therefore, I strongly urge the Members of this Subcommittee to report H.R. 2535 favorably to the Committee on Ways and Means as soon as possible.

STATEMENT OF R. R. EBBINGI. INTRODUCTION

My name is Pete Ebbing. I am the president of Detroit Edge Tool Company of Detroit, Michigan. I appear before you today on behalf of the Machine Knife Association, of which I am president, in order to request your swift approval of H.R. 2535, a bill to suspend for a temporary period the duty on certain alloy tool steels used to make chipper knives.

The Machine Knife Association was created in 1882 and currently represents 10 companies from around the country which are engaged in the manufacture and sale of machine knives for the wood industry. Our members have manufacturing and distribution facilities in many states, including Indiana, Kentucky, Louisiana, Massachusetts, Michigan, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, and Washington. A list of our members and the locations of their facilities is attached to my statement. */

I have personally been engaged in the machine knife industry for 24 years all of which have been with Detroit Edge Tool. Detroit Edge Tool manufactures a wide variety of machine knives, ways and other products for the wood, metals, paper, plastic, and machine tool industries. Although our production and distribution facilities are equipped to manufacture chipper knives, we ceased production

*/ Appendix A

and sale of such goods in 1976. Like some other members of the Machine Knife Association, Detroit Edge Tool left the chipper knife market when it became extremely difficult to compete against imports of foreign chipper knives. A major cause of this difficulty was the extremely high cost and unreliable supply of domestic chipper knife steel. If international trade conditions improve, Detroit Edge Tool could reenter the chipper knife market, thereby increasing our production and employment. I believe -- both as president of the Machine Knife Association and as the president of a knife manufacturer which would like to reenter the chipper knife market -- that enactment of H.R. 2535 is a necessary step toward increased domestic chipper knife production and employment.

II. THE CHIPPER KNIFE INDUSTRY

Chipper knives are wood-related industrial knives which are used in heavy machinery to chip wood into pulp, chips, and other wood fiber products. The chipper knife market has tremendous potential for expansion since wood chips and wood fiber are being put to an increasing variety of uses in order to utilize more fully our trees and forests -- one of our only naturally renewable resources.

Wood chips are used to manufacture paper, corrugated boxes and particle board, to treat sewage, in landscaping, and for an increasing variety of other purposes.

Wood chips are also used as an energy resource -- an alternative fuel with potentially great benefits. The market for knives to produce wood chips promises to increase rapidly in response to our nation's concerns over conservation and energy.

The current domestic share of the chipper knife industry is at its lowest point in history. At one time, American chipper knife manufacturers supplied over 95 percent of domestic chipper knife demand. However, that market share has decreased steadily during the past 10 years in the face of low-price foreign imports and the poor availability of chipper knife steel. Many companies which previously manufactured substantial quantities of chipper knives have eliminated or sharply curtailed their production of such knives during the past 10 years. However, in almost every case, those companies are likely potential entrants into the chipper knife market if the terms of international trade improve. An important step toward this improvement would be suspension of the duty on chipper knife steel.

III. THE INADEQUATE AND UNRELIABLE SUPPLY OF DOMESTIC CHIPPER KNIFE STEEL

The production of chipper knives requires a special analysis alloy tool steel which is not now manufactured in the United States in sufficient quantities to even approach the demand requirements of chipper knife manufacturers. In this regard, chipper knife steel is quite unlike other specialty steels which are supplied by domestic sources in

sufficient quantities and with respect to which we seek no relief. As I shall explain more fully below, both our industry and the Government--in specifically exempting chipper knife steel from the specialty steel quotas--have considered chipper knife steel to be an anomalous commodity.

Chipper knife steel is a particular analysis of alloy tool steel which is designed for one purpose only: the production of chipper knives. Moreover, chipper knife steel is produced and sold only in shapes and sizes which make it amenable to the production of knives. The chemical analysis of chipper knife steel, as it is described in the Tariff Schedules of the United States and in H.R. 2535, is:

alloy tool steel which contains, in addition to iron, each of the following elements by weight in the amount specified:

- | | |
|-----------------|---|
| (i) carbon: | not less than 0.48 nor
more than 0.55 percent; |
| (ii) manganese: | not less than 0.20 nor
more than 0.50 percent; |
| (iii) silicon: | not less than 0.75 nor
more than 1.05 percent; |
| (iv) chromium: | not less than 7.25 nor
more than 8.75 percent; |

- (v) molybdenum: not less than 1.25 nor
more than 1.75 percent;
- (vi) tungsten: none, or not more than
1.75 percent; and
- (vii) vanadium: not less than 0.20 nor
more than 0.55 percent.*/

At an ITC hearing in 1977 regarding specialty steel quotas, Richard P. Simmons -- president of Allegheny Ludlum Steel Corporation and a spokesman for the specialty steel industry -- described chipper knife steel as "a combination of both an unusual analysis and an unusual product form." **/
Mr. Simmons noted that:

"Such unusual analysis, first, is generally melted only at infrequent intervals and, second, only rolled at infrequent intervals because of the necessity of setting a rolling mill not to roll a round but to roll in an unusual cross-section . . ." **/

Speaking as a qualified metallurgist, Mr. Simmons stated that -- for these reasons -- chipper knife steel is "a product that is not only undesirable for American manufacturers to produce but undesirable for foreign manufacturers to produce." **/

* Statistical Headnote 1(f) to Schedule 6, Part 2 of the Tariff Schedules of the United States. This chemical description of chipper knife steel was developed by commodity specialists at the International Trade Commission after imports of chipper knife steel were exempted from the quotas on specialty steel in 1978.

**/ Statement of Richard P. Simmons before the U.S. International Trade Commission on September 9, 1977. A copy of Mr. Simmons' remarks is attached as Appendix B.

For whatever reason -- and despite the protection of relatively high duties -- domestic specialty steel companies have in fact demonstrated little enthusiasm for producing chipper knife steel. There has been no consistent and substantial long-term domestic supplier of chipper knife steel during the past dozen years. Mr. John E. Halloran, President of Michigan Knife Company, will describe these domestic supply problems in more detail in his testimony.

The problems created for domestic chipper knife manufacturers by the inadequate and inconsistent supply of domestic chipper knife steel have received considerable attention from the U.S. International Trade Commission and the Executive Branch during the past few years. As part of its reexamination of specialty steel quotas in 1977, the ITC received testimony and other information which demonstrated the heavy reliance of domestic chipper knife manufacturers on imports of chipper knife steel because of inadequate supplies of such steel from domestic sources. After considering this evidence, the Chairman of the Commission recommended that the President terminate the import quotas on chipper knife steel and stated that such termination would not adversely affect the domestic specialty steel industry. */ Similarly, Commissioner Ablondi advised the President of the hardships

*/ Report of the U.S. International Trade Commission to the President on Stainless Steel and Alloy Tool Steel (Investigation No. TA-203-3) (October 1977), at p. 7. A selection of relevant excerpts from the ITC report is attached as Appendix C.

suffered by domestic consumers of certain special analysis alloy tool steels -- such as chipper knife steel -- because "[d]omestic producers of stainless steel and alloy tool steel have in some instances been unable, or find it unattractive, to supply end-product manufacturers with necessary specialty steel." ^{*/} Even the specialty steel industry recognized the special problems of chipper knife steel consumers, and joined chipper knife manufacturers in urging President Carter to exclude chipper knife steel from the specialty steel quotas. ^{**/}

After considering the advice offered by the ITC, and the recommendations of agencies throughout the Executive Branch, the President determined "that the exclusion of certain steels . . . known as chipper knife steel . . . from . . . quantitative restrictions is in the national interest. ^{***/}

Our Association believes that the same reasons which the President found persuasive when he decided to exempt

^{*/} Id. at 9.

^{**/} Letter to the President dated November 25, 1977, from The Tool and Stainless Steel Industry Committee and Michigan Knife Company. A copy of this letter is attached to this statement as Appendix D.

^{***/} Presidential Proclamation 4559, 43 Fed. Reg. 14433 (April 6, 1978). A copy of the President's proclamation is attached to this statement as Appendix E.

chipper knife steel from the specialty steel import quotas should also be persuasive to the Congress in deciding to suspend the relatively high duty on chipper knife steel.

IV. U.S. IMPORT DUTIES UNFAIRLY AND
UNREASONABLY DISCRIMINATE AGAINST
U.S. CHIPPER KNIFE MANUFACTURERS
AND THEIR EMPLOYEES

The crux of the problem facing domestic chipper knife manufacturers is that the duty on chipper knife steel -- which must be imported in large quantities from abroad -- is almost 13 percent whereas the duty on finished chipper knives against which American manufacturers must compete is only 5 percent.

Chipper knife steel constitutes the predominant cost of manufacturing chipper knives. For some knives, the steel represents 70 percent of the cost of the finished product. Therefore, even a minor difference in duties on the steel versus the knives would offer a major competitive advantage to foreign imports.^{*/} But when the duty on the steel is approximately two-and-one-half times the duty on

^{*/} The tariff reductions resulting from the multilateral trade negotiations will only further increase the disparity between the duties on chipper knives and chipper knife steel in the next few years. Although the duty on the steel will eventually be reduced to 6 percent, that reduction will not begin to be phased in until January 1982, whereas the reduction of the duties on the knives to 3.7 percent will begin next year. The duty suspension which we seek would terminate before 1982, when the MTN tariff reductions on chipper knife steel would begin to take place.

the knives, the competitive advantage to the foreign producers puts them almost beyond reach.

This great discrepancy in the duties -- in favor of foreign knife manufacturers -- has no rational basis. Strictly as a theoretical matter, the imposition of higher duties on raw materials than on finished goods is contrary to American economic interests. Such a duty structure necessarily penalizes domestic manufacturers and workers by favoring the imports against which they must compete. Moreover, this same disparity effectively vitiates the objective of the high duty on the raw material by encouraging its importation in the form of finished products. In this manner, the imposition of higher duties on raw materials than on finished goods results in no benefit to the domestic raw material industry while unnecessarily damaging the domestic finished product industry.

In fact, the relative duties on chipper knives and chipper knife steel have had precisely this effect. They have not discouraged the importation of chipper knife steel. On the contrary, this steel is imported into the United States at the lower duty by first manufacturing it into finished knives. The result is injury to the domestic knife industry (which must pay high duties on the steel it imports) and no corresponding benefit to the domestic specialty steel industry.

V. SUSPENDING THE DUTY ON CHIPPER KNIFE
STEEL WILL GREATLY BENEFIT THE AMERICAN
CHIPPER KNIFE INDUSTRY AND WILL NOT
ADVERSELY AFFECT THE DOMESTIC SPECIALTY
STEEL INDUSTRY

Domestic specialty steel companies have not taken advantage of the protection of the high duty to increase their production of this particular alloy tool steel. Similarly, there is no reason to believe that suspension of the duty will have any impact on domestic specialty steel production. This same high duty, however, is a major disadvantage to the chipper knife manufacturers who must depend on foreign imports of steel to survive. Suspension of the duties on the steel will certainly increase the ability of American companies to compete against foreign knife imports, to expand production, to hire more employees, and to pay more taxes. The balance of equity and reason clearly is on the side of suspending the duty.

To put this problem in perspective, consider the following facts. The Commerce Department has reported that chipper knife steel imports since the removal of the quotas last year has averaged less than 300 tons per month. During this same time period, domestic specialty steel companies made shipments of almost 100,000 tons per month and foreign imports of all specialty steels averaged approximately 13,000 tons per month. */ In other words, chipper knife steel

*/ U.S. Department of Commerce News: Twelfth Quarterly Report to All Review of U.S. Specialty Steel Industry (ITA) 79-112 (June 21, 1979) at p. 3. A copy of the Commerce Department data is attached as Appendix F.

imports are less than 3/10 of one percent of domestic specialty steel production and approximately 2 percent of all specialty steel imported into the United States. Obviously, from the perspective of the specialty steel companies, chipper knife steel imports are an insignificant drop in the bucket. However, chipper knife steel represents 100 percent of the raw material for producing chipper knives. To chipper knife manufacturers, such steel is the lifeblood of their existence.

The suspension of the duty on chipper knife steel will not prevent domestic specialty steel producers from participating in this market. Domestic specialty steel companies have one significant advantage over their foreign competitors that has nothing to do with the high duty on specialty steel. This advantage is the relative proximity of the steel companies to the knife manufacturers. Given a choice between a domestic supply and a foreign supply of steel -- at prices which are reasonably competitive -- a knife manufacturer will favor the domestic steel company because shipment times can be lower and, as a result, the inventories of steel which the knife manufacturer must maintain (at high cost) can be reduced. Domestic knife manufacturers would prefer not to depend on steel shipments from Europe since those shipments take much longer than shipments from domestic steel companies and since they can be delayed by port congestion, dockworker strikes, and customs clearance.

Unfortunately, domestic specialty steel companies have not taken advantage of these natural advantages over their foreign competition to provide chipper knife steel in large quantities on a consistent basis. Moreover, the prices sought by most domestic specialty steel companies have ranged up to 100 percent higher than the prices offered by foreign steel companies. Indeed, the prices which domestic specialty steel companies seek to charge would effectively drive domestic chipper knife manufacturers out of business. The existing duty on chipper knife steel imports of approximately 13 percent does not offset these other factors which have forced chipper knife manufacturers to purchase the great bulk of their steel from foreign sources. Thus, maintenance of the high duties on chipper knife steel will not result in more domestic chipper knife steel production, nor will the elimination of the duties necessarily reduce it.

We believe there can be no doubt that suspension of the duty on chipper knife steel will not adversely affect the domestic specialty steel industry. However, it would permit expansion of the highly labor-intensive domestic chipper knife industry, which has great potential if our Government will just remove import barriers that discriminate in favor of foreign knife manufacturers.

VI. SUMMARY AND CONCLUSION

On March 13, 1979, our Association petitioned -- by way of a letter to Chairman Vanik -- this Subcommittee to take prompt, affirmative action to suspend the import duty on chipper knife steel. We have now presented evidence to show that our members -- and domestic chipper knife manufacturers in general -- are seriously disadvantaged by high duties on chipper knife steel which do not offer any corresponding benefit to the domestic specialty steel industry. The fact that our Government imposes a duty on chipper knife steel which is approximately two-and-one-half times as large as the duty on finished chipper knives has only negative consequences: a loss of American market shares, a loss of American production capacity, a loss of American jobs, and a loss of American opportunities.

By suspending the duty on chipper knife steel, the Congress can directly benefit chipper knife manufacturers, their employees, their suppliers and their customers in the wood and paper industries. In addition, a duty suspension will indirectly benefit the overall economy by reducing prices and increasing domestic employment.

For all these reasons, we respectfully urge you to report H.R. 2535 favorably to the Ways and Means Committee as soon as possible.

I would now be glad to answer any questions you may have.

MEMBERS OF THE MACHINE KNIFE ASSOCIATION

ASKO, INC. Homestead, PA	MICHIGAN KNIFE CO. Big Rapids, MI. Springfield, OR.
BOLTON-EMERSON, INC. Lawrence, MA. Philadelphia, PA. Seattle, WA.	THE OHIO KNIFE CO. Cincinnati, OH. Aurora, IN.
DETROIT EDGE TOOL CO. Detroit, MI.	* / R. HOE & CO., INC. Scarsdale, NY. Portland, OR. Birmingham, AL.
DISSTON, INC. Greensboro, NC Seattle, WA.	SIMMONDS CUTTING TOOLS Fitchburg, MA. Portland, OR. Boosier City, LA.
INTERNATIONAL KNIFE (HANNACO KNIVES & SAWS, INC.) Florence, SC. Eugene, OR. (AMERICAN CUSTOM METALS) Covington, KY.	THE WAPAKONETA MACHINE COMPANY Wapakoneta, OH.
LANCASTER KNIVES, Inc. Lancaster, NY. Portland, OR.	* / WISCONSIN KNIFE WORKS Beloit, WI.

MACHINE KNIFE ASSN.
Thomas D. Dolan
Executive Secretary
1717 Howard Street
Evanston, Ill. 60202

* / Prospective member which has announced its intention to join the Association at its next meeting.

STATEMENT
O F
MR. RICHARD P. SIMMONS
PRESIDENT, ALLEGHANY LUDLUM STEEL CORPORATION

IN RESPONSE TO THE TESTIMONY
O F
MR. JOHN E. HALLORAN
PRESIDENT, MICHIGAN KNIFE CO.

BEFORE
THE UNITED STATES INTERNATIONAL TRADE COMMISSION

September 9, 1977

1 with a little bit of information and, of course, it would be
2 amenable -- it is not argumentative. It is strictly informa-
3 tional.

4 CHAIRMAN MINCHEW: I think it might be helpful if Mr.
5 Simmons could outline for the Commission and then maybe if Mr.
6 Halloran or Mr. Engman or the Commission or other parties could
7 ask Mr. Simmons questions.

8 MR. SIMMONS: First, let me clearly point out I am
9 not an adversary. I am here in support of your particular case.
10 I am sympathetic to it.

11 MR. ENGMAN: Do I understand that as removing this
12 particular type of steel from import restrictions?

13 MR. SIMMONS: Well, I did not go quite that far.

14 I thought it might be appropriate because this is
15 such an unusual situation that it might be of some benefit for
16 us to try and give the Commission some additional technical
17 insight into why this product might be difficult to obtain from
18 American domestic producers.

19 First, it is an unusual analysis, as Mr. Engman and
20 Mr. Halloran have pointed out. By the way, Allegheny Ludlum
21 does not provide this product. So I am not in any violation,
22 I feel, in discussing it.

23 Secondly, it is a product form in the form of what we
24 call flats. These are rectangular bars and so we have a
25 combination of both an unusual analysis and an unusual product

1 form. Such unusual analysis first is generally melted only at
2 infrequent intervals and second only rolled at infrequent
3 intervals because of the necessity of setting a rolling mill
4 not to roll around but to roll in an unusual cross section and
5 without looking through all the sizes there was more than one.
6 There was a series of cross sections.

7 The final point that I thought might be of some inter-
8 est is that when you look at Exhibit II, which is the foreign
9 chipper knife manufacturers, the first thing that strikes us
10 is the fact that many of Mr. Halloran's competitors are also
11 his suppliers of steel, his foreign suppliers of steel. I
12 think the fact, at least to some degree, might well reflect some
13 of the problems Mr. Halloran faces and with which we in the
14 special steel industry sympathize with greatly.

15 It has never been the intention of the specialty
16 steel industry to put anybody out of business. It is not our
17 intention today. I would hope administratively within the con-
18 text of the existing quotas and with the assistance, I am sure
19 of your very able staff, that there might be some way of
20 accommodating the particular problem that Mr. Halloran faces.

21 I am not suggesting that I know what that solution
22 is at this moment, but I do sympathize with his problem.

23 I would point out, however, that in his Exhibit VII
24 even Roechling points out in the last paragraph that the price
25 is most competitive. Now, I speak not as a producer of this

1 product. I now speak as a metallurgist, that the analysis of
2 this grade would suggest that under normal circumstances this
3 product would be much higher priced, both for foreign or domestic
4 than the price that I was surprised to see, which I do not
5 question but which appears to me to be a reflection of a pro-
6 duct that is not only undesirable for American manufacturers
7 to produce but undesirable for foreign manufacturers to produce
8 as evidenced by the fact that they indicated that they wished
9 to upgrade to more desirable items within the quota.

10 I simply wanted to place on the record the fact that
11 outside of all the legal language that we go through, we cer-
12 tainly have no desire in any way to injure a small American
13 manufacturer.

14 Thank you. If there are any questions I certainly
15 would attempt to answer them.

16 CHAIRMAN MINCHEW: Are there any questions from the
17 Commission? Mr. Engman? Mr. Halloran? Other parties of
18 record?

19 MR. ENGMAN: Mr. Simmons, are you aware of what has
20 happened to the price -- to the foreign price for what I call
21 chipper knife steel, which you define much more exotically,
22 since the imposition of the quota?

23 MR. SIMMONS: No, I am not, sir.

24 MR. ENGMAN: Thank you.

25 CHAIRMAN MINCHEW: Are there further questions of

RELEVANT EXCERPTS FROM REPORT
OF
THE UNITED STATES INTERNATIONAL TRADE COMMISSION
ON
STAINLESS STEEL AND ALLOY TOOL STEEL

October 1977

CHAIRMAN MINCHEN:

"I am . . . of the judgment that the termination of import relief with respect to the chipper knife blade steel . . . , covered by TSUS item 923.26, would not have a serious adverse economic effect on the domestic industry." (page 7) (emphasis supplied)

". . . the [import] restraints have caused some difficulties to U.S. consumers which can be rectified without adverse economic effect on the U.S. industry. In my opinion, shifts to higher priced products have placed a hardship on importers of chipper knife blade and band saw steel, who must compete with foreign manufacturers who export the finished product. I do not believe termination of the restraints on these items would have a serious adverse economic effect on the U.S. industry concerned." (page 9) (emphasis supplied)

COMMISSIONER ABLONDI:

"Testimony before the Commission established that quotas have imposed hardships on numerous domestic consumers. Traditional supply patterns have been disrupted causing both uncertainty of supply and increased inventory costs. These conditions caused upward price pressures which in turn have an adverse effect not only on consumers but also on the competitive position of end-product manufacturers. Domestic producers of stainless steel and alloy tool steel have in some instances been unable, or find it unattractive, to supply end-product manufacturers with necessary specialty steel." (page 12) (emphasis supplied)

THE COMMISSION STAFF:

"There are . . . indications that foreign suppliers have upgraded their product mix to export as many high value products as possible to maximize their earnings on quota restrained articles and to dampen the impact of quota categories which are rapidly filled. The reduction in imports of steels used in the manufacture of cutting blades, one of the many items imported as alloy tool steel, is one such example. . . .

"A change in product mix has also occurred wherein the foreign supplier of specialty steel items under quota reduces exports of these items and, increases exports of end products made from specialty steel." (page A-36) (emphasis supplied)

November 25, 1977

The President
The White House
Washington, D.C. 20500

Re: Specialty Steel Quotas
TA-201-3

Dear Mr. President:

On behalf of the Tool and Stainless Steel Industry Committee (TSSIC) and Michigan Knife Co., we urge you to consider the following in making your determination with regard to continuation of the quotas on specialty steel products.

1. The Tool and Stainless Steel Industry Committee was the original petitioner before the International Trade Commission with respect to specialty steels. TSSIC was also the sole representative of the domestic industry before the ITC with respect to reconsideration of the quotas which you had requested and is the spokesman for the American specialty steel industry.

2. Michigan Knife Co. is a manufacturer of chipper knives. It appeared at recent hearings before the ITC and urged that chipper knife steel be excluded from the quotas on specialty steel.

3. Chipper knife steel is currently covered by the quotas under the definition of alloy tool steel.

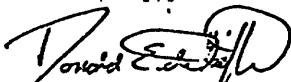
4. The Tool and Stainless Steel Industry Committee and Michigan Knife Co. jointly urge you to exclude chipper knife steel (as defined in Appendix A attached) from the quotas on specialty steel products. We also urge that there be a reduction in the balance of the quotas for alloy tool steel commensurate with historic shipments of chipper knife steel.

5. We estimate that imports of chipper knife steel for the past several years have been approximately 2,500 tons per year. These imports have been divided on the average between Sweden (1,725 tons) and the European Economic Community (775 tons). We urge, therefore, that the alloy tool

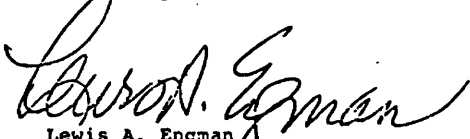
steel quota for Sweden be reduced by 1,725 tons and for the EEC by 775 tons to compensate for the removal of chipper knife steel from the existing quotas.

This action would benefit all parties concerned. The Michigan Knife Co. and other United States chipper knife manufacturers would have increased access to raw materials they require. The United States specialty steel industry would be protected from a flood of tool steel imports which might occur and the Europeans would be able to increase their exports of this product while not suffering any effective reduction in other tool steel lines. We urge you to incorporate these changes in any announcement you make regarding continuation of the quotas.

Sincerely yours,



Donald E. deKieffer
Counsel
Tool and Stainless Steel
Industry Committee



Lewis A. Engman
Counsel
Michigan Knife Co

THE PRESIDENT

[3195-01]

Proclamation 1359

April 5, 1978

Modification of Temporary Quantitative Limitations on the Importation into the United States of Certain Articles of Alloy Tool Steel

By the President of the United States of America

A Proclamation

1. Proclamation No. 4443, of June 11, 1976, as modified by Proclamation No. 4477 of November 16, 1976, and Proclamation No. 4509 of June 15, 1977, imposed quantitative restrictions on the importation of certain articles of specialty steels. Section 203(h)(4) of the Trade Act of 1974 (the Trade Act) (19 U.S.C. 2253(h)(4)) permits the President to reduce or terminate any such relief if, after taking into account advice received from the United States International Trade Commission (USITC) and after seeking advice from the Secretaries of Commerce and Labor, the President determines that the reduction or termination is in the national interest.

2. I have sought and received advice from the USITC and from the Secretaries of Commerce and Labor concerning the effects of reducing or terminating import relief provided by Proclamation No. 4443, as modified by Proclamation No. 4477 and Proclamation No. 4509, on steel provided for in item 923.26 of the Tariff Schedules of the United States (TSUS). I have determined, after considering that advice, that the exclusion of certain steels provided for in item 923.26 of the TSUS, known as chipper knife steel and band saw steel, from such quantitative restrictions is in the national interest.

3. Accordingly, the purpose of this proclamation is to terminate in part Proclamation No. 4443 of June 11, 1976, as modified by Proclamation No. 4477 of November 16, 1976, and Proclamation No. 4509 of June 15, 1977, so as to exclude so-called chipper knife steel and band saw steel provided for in item 923.26, TSUS, from the present quantitative restrictions for the remainder of the restraint period which began on June 14, 1977 and the entire restraint period beginning on June 14, 1978, and to make an appropriate reduction in the quota quantities for item 923.26, TSUS, applicable to the European Economic Community and Sweden for the restraint period beginning June 14, 1978 to reflect the exclusion of so-called chipper knife steel and band saw steel. The authority for this action is set forth in section 203(h)(4) (19 U.S.C. 2253(h)(4)), and section 125(b) (19 U.S.C. 2154(b)) of the Trade Act.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes of the United States, including sections 125 and 203 of the Trade Act (19 U.S.C. 2155 and 2253, respectively), do proclaim that—

A. Subpart A, part 2, of the Appendix to the TSUS (19 U.S.C. 1202) is modified as follows:

(1) by modifying headnote 2(a)(iii) to read as follows:

"(iii) The term "alloy tool steel" in item 923.26 refers to alloy steel which contains the following combinations of elements in the quantity, by weight, respectively indicated: not less than 1.0% carbon and over 11.0% chromium; or not less than 0.3% carbon and 1.25% to 11.0% inclusive chromium; or not less than 0.55% carbon and 1% to 1.8% inclusive manganese; or

THE PRESIDENT

0.9% to 1.2% inclusive chromium and 0.9% to 1.4% inclusive molybdenum; or not less than 0.3% carbon and not less than 3.3% molybdenum; or not less than 0.3% carbon and not less than 5.5% tungsten;

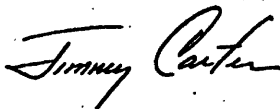
but does not include the three following types of alloy tool steel which contain, in addition to iron, each of the specified elements by weight in the amounts indicated:

- | | | |
|-----|-------------|--|
| (1) | carbon: | not less than 0.95 nor more than 1.13 percent; |
| | manganese: | not less than 0.22 nor more than 0.48 percent; |
| | sulfur: | none, or not more than 0.03 percent; |
| | phosphorus: | none, or not more than 0.03 percent; |
| | silicon: | not less than 0.18 nor more than 0.37 percent; |
| | chromium: | not less than 1.25 nor more than 1.65 percent; |
| | nickel: | none, or not more than 0.28 percent; |
| | copper: | none, or not more than 0.38 percent; |
| | molybdenum: | none, or not more than 0.09 percent; or |
| (2) | carbon: | not less than 0.48 nor more than 0.55 percent; |
| | manganese: | not less than 0.20 nor more than 0.50 percent; |
| | silicon: | not less than 0.75 nor more than 1.05 percent; |
| | chromium: | not less than 7.25 nor more than 8.75 percent; |
| | molybdenum: | not less than 1.25 nor more than 1.75 percent; |
| | tungsten: | none, or not more than 1.75 percent; |
| | vanadium: | not less than 0.20 nor more than 0.55 percent; or |
| (3) | carbon: | not less than 0.47 nor more than 0.53 percent; |
| | manganese: | not less than 0.60 nor more than 0.90 percent; |
| | sulfur: | none, or not more than 0.015 percent; |
| | phosphorus: | none, or not more than 0.025 percent; |
| | silicon: | not less than 0.10 nor more than 0.25 percent; |
| | chromium: | not less than 0.90 nor more than 1.10 percent; |
| | nickel: | not less than 0.50 nor more than 0.70 percent; |
| | molybdenum: | not less than 0.90 nor more than 1.10 percent; |
| | vanadium: | not less than 0.08 percent nor more than 0.15 percent; |

(2) by inserting "3,167" and "8,295" in lieu of the existing quota quantities applicable to the European Economic Community and Sweden, respectively, in the quota quantity column headed June 14, 1978, for item 923.26.

B. The modifications of subpart A of part 2 of the Appendix to the TSUS, made by this proclamation, shall be effective as to articles entered, or withdrawn from warehouse, for consumption on and after the second day following the date of publication of this proclamation in the FEDERAL REGISTER.

IN WITNESS WHEREOF, I have hereunto set my hand this fifth day of April, in the year of our Lord nineteen hundred and seventy-eight, and of the Independence of the United States of America the two hundred and second.



3
Table 1
SPECIALTY STEEL:
U.S. Producers' Shipments, Exports, Imports for Consumption
Apparent Consumption, and Import Penetration
Quarterly and Annual, 1974-78

Period	Producers' Shipments	Exports ^{1/} Quantity (net tons)	Imports ^{2/} Quantity (net tons)	Apparent Consumption ^{3/}	Import Penetration ^{4/} (Percent)
1974					
First quarter....	307,468	22,220	26,456	312,704	8.5
Second quarter....	345,431	24,483	30,408	351,356	8.7
Third quarter....	319,741	21,402	38,188	336,327	11.3
Fourth quarter....	293,006	22,400	56,093	336,699	17.2
Year.....	1,264,296	90,505	131,145	1,324,936	11.4
1975					
First quarter....	202,769	12,404	50,309	240,674	20.9
Second quarter....	147,082	11,305	36,905	173,682	21.6
Third quarter....	160,777	10,804	32,921 ^{5/}	190,996	17.2
Fourth quarter....	185,178	12,855	33,596 ^{5/}	205,921	16.3
Year.....	743,896 ^{5/}	47,368	153,733 ^{5/}	850,263 ^{5/}	18.1
1976					
First quarter....	238,019	15,927	41,681	263,773	15.8
Second quarter....	254,314	14,330	50,804	290,788	17.3
Third quarter....	268,109	15,718	42,403 ^{5/}	274,798	15.4
Fourth quarter....	255,479	13,488	31,987	273,978	11.6
Year.....	993,466 ^{5/}	59,463	166,875 ^{5/}	1,100,884 ^{5/}	15.2
1977					
First quarter....	270,187	13,723	23,779	280,343	8.5
Second quarter....	295,901 ^{5/}	13,017	45,465	328,355	13.8
Third quarter....	256,269	18,137	33,120	271,252	12.2
Fourth quarter....	245,775	10,999	39,005	273,781	14.2
Year.....	1,057,029 ^{5/}	55,876	141,373	1,142,326 ^{5/}	12.3
1978					
First quarter....	388,391	12,115 ^{5/}	36,467 ^{5/}	312,742 ^{5/}	11.3 ^{5/}
Second quarter....	321,464 ^{5/}	12,115 ^{5/}	35,771 ^{5/}	341,848 ^{5/}	15.4 ^{5/}
Third quarter....	291,665	14,074	27,916	305,327	9.1
Fourth quarter....	293,398	16,107	19,098	316,771	12.3
Year.....	1,298,218 ^{5/}	54,494	139,244	1,388,776 ^{5/}	12.2
1979					
First quarter....	344,384	13,573	30,634	361,445	8.5

Note: Specialty Steel covers products listed in Items 923.19 through 923.23 and 923.26 of the Annex to Presidential Proclamation 4443 of June 11, 1976, as modified by Proclamation 4497 of November 18, 1976, Proclamation 4549 of June 15, 1977, and Proclamation 4494 of April 9, 1978.

- ^{1/} Revision of Schedule B numbers for exports, effective January 1, 1979, owing to a few seven-digit specialty steel items in the stainless bar and alloy tool steel categories. The resultant redistribution of trade between the two categories is believed to be slight and does not appear to impair data comparability with earlier periods at the level of product aggregation shown for the respective categories.
- ^{2/} Imports of specialty steel through November 1976 may include steel for use in the manufacture of bearings; however, data since then do not include such steel. Monthly imports of this type of steel averaged 1.519 net tons in the period December 1974 through March, 1979. Effective April 8, 1978, "chipper knife" and 4081 "band saw" steel were excluded from the applicability of import restraints to alloy tool steel. In the period April 1978 through March 1979, such imports averaged 237 net tons monthly.
- ^{3/} Producers' shipments plus imports, less exports.
- ^{4/} Imports as a percentage of consumption.
- ^{5/} Quarterly figures of producers' shipments do not add to total for year. Corrections and adjustments are reflected in totals for the year but cannot be distributed to individual quarters.
- ^{6/} Data reflect Census Bureau revisions.
- ^{7/} Data reflect ISITC revisions. ^{8/} Revised.
- Source: Official statistics of the U.S. Department of Commerce, except for producers' shipments. Shipment data based on ISITC survey.
- Prepared by: Import Programs Division, Office of Business Programs, DOC -- June 11, 1979.

U.S. Department of Commerce News; Twelfth Quarterly Report to Aid Review of the U.S. Specialty Steel Industry (ITA 79-112) (June 21, 1979)

Before The
Subcommittee On International Trade
Committee On Finance
United States Senate

STATEMENT OF
MR. R. R. EBBING

President
Detroit Edge Tool Company
6570 East Nevada Avenue
Detroit, Michigan 48234
(313) 366-4120

ON BEHALF OF THE
MACHINE KNIFE ASSOCIATION

IN SUPPORT OF H.R. 2535
TO SUSPEND THE DUTY ON
CHIPPER KNIFE STEEL

February 5, 1980

STATEMENT OF R. R. ("PETE") EBBING
MACHINE KNIFE ASSOCIATION

Summary of Principal Points

(1) H.R. 2535, which would suspend until June 30, 1982, the duty on chipper knife steel, passed the U.S. House of Representatives on December 3, 1979. This legislation has the support of the Executive Branch, including the Office of the U.S. Trade Representative. The Machine Knife Association strongly urges the Members of the Finance Committee to report H.R. 2535 favorably to the full Senate as soon as possible.

(2) Domestic chipper knife manufacturers which are members of the Machine Knife Association rely heavily on foreign imports of chipper knife steel because the U.S. supply of this particular alloy steel has been grossly insufficient and inconsistent. In this regard, chipper knife steel is quite unlike the many other grades of specialty steel which domestic knife manufacturers can and do purchase from American specialty steel companies in large quantities.

(3) The rate of duty on chipper knife steel --including the duties on special metals contained in this alloy -- is approximately 13 percent, whereas the duty on finished chipper knives is only 5 percent.

(4) Since chipper knife steel accounts for a major portion (50 to 70 percent) of the cost of producing chipper knives, the substantial disparity between the duty on the steel and the duty on the knives places domestic knife manufacturers at a serious disadvantage in competing against foreign knife imports.

(5) The domestic share of the chipper knife market has decreased dramatically during the past 10 to 20 years, in major part because American chipper knife manufacturers have been caught between the restrictions and rela-

tively high duties on importation of chipper knife steel from abroad and the insufficient supplies of such steel from U.S. sources.

(6) In 1978 the President determined that it would be "in the national interest" to exempt chipper knife steel from the import quotas on specialty steel. The President made this determination after receiving advice from the U.S. International Trade Commission, the Office of the Special Trade Representative, and the Cabinet Departments represented on the interagency Trade Policy Committee. Representatives of both the chipper knife industry and the specialty steel industry urged the President to exempt chipper knife steel from the import quotas. This exemption was made more than a year before the President decided to phase out quotas on specialty steel generally.

(7) Imports of chipper knife steel are insignificant in comparison to domestic specialty steel production and foreign imports of all specialty steels. According to the U.S. Department of Commerce, average monthly imports of chipper knife steel since the removal of the quotas in 1978 have been less than 300 tons. During that same time period, average monthly shipments of specialty steel by U.S. producers were over 100,000 tons, and average monthly imports of specialty steel were less than 13,000 tons.

(8) Firms throughout the machine knife industry consume large quantities of steels other than chipper knife steel from domestic specialty steel companies. We seek a suspension of the duty on chipper knife steel -- and chipper knife steel only -- because of the difficulties our members have had in obtaining adequate supplies of this particular alloy from domestic sources at prices knife manufacturers can afford to pay in the face of competition from imported chipper knives.

(9) The high duties on chipper knife steel severely disadvantage domestic chipper knife manufacturers without providing any significant advantage to domestic specialty steel producers. Indeed, the steel imports which

these high duties are intended to discourage are merely entering the United States in the form of finished knives -- to the detriment of both the steel and the machine knife industries.

(10) Enactment of H.R. 2535 will directly benefit the manufacturers of chipper knives, their employees, their customers (who ultimately pay the steel duties), and their suppliers (who will profit as the domestic chipper knife industry expands). In addition, the suspension of the duty on chipper knife steel will encourage more knife manufacturers to enter or re-enter the American chipper knife industry.

THEREFORE, I strongly urge the Members of this Committee to report H.R. 2535 favorably to the full Senate as soon as possible.

STATEMENT OF R. R. EBBINGI. INTRODUCTION

My name is Pete Ebbing. I am the president of Detroit Edge Tool Company of Detroit, Michigan. I appear before you today on behalf of the Machine Knife Association, of which I am president, in order to request your swift approval of H.R. 2535, a bill to suspend for a temporary period the duty on certain alloy tool steels used to make chipper knives.

The Machine Knife Association was created in 1882 and currently represents a dozen companies from around the country which are engaged in the manufacture and sale of machine knives for the wood industry. Our members have manufacturing and distribution facilities in many states, including Indiana, Kentucky, Louisiana, Massachusetts, Michigan, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, and Washington. A list of our members and the locations of their facilities is attached to my statement. */

I have personally been engaged in the machine knife industry for 24 years, all of which have been with Detroit Edge Tool. Detroit Edge Tool manufactures a wide variety of machine knives, saws and other products for the wood, metals, paper, plastic, and machine tool industries. Although our production and distribution facilities are equipped to manufacture chipper knives, we ceased production and sale of such goods in 1976. Like some other members of the Machine Knife Association, Detroit Edge Tool left the chipper knife market when it became extremely difficult to compete against imports of foreign chipper knives. A major cause of this difficulty was the extremely high cost and unreliable supply of domestic chipper knife steel. If international trade conditions improve, Detroit Edge Tool could reenter the chipper knife market, thereby increasing

*/ Appendix A

our production and employment. I believe -- both as president of the Machine Knife Association and as the president of a knife manufacturer which would like to reenter the chipper knife market -- that enactment of H.R. 2535 is a necessary step toward increased domestic chipper knife production and employment.

II. THE CHIPPER KNIFE INDUSTRY

Chipper knives are wood-related industrial knives which are used in heavy machinery to chip wood into pulp, chips, and other wood fiber products. The chipper knife market has tremendous potential for expansion since wood chips and wood fiber are being put to an increasing variety of uses in order to utilize more fully our trees and forests -- one of our only naturally renewable resources.

Wood chips are used to manufacture paper, corrugated boxes and particle board, to treat sewage, in landscaping, and for an increasing variety of other purposes. Wood chips are also used as an energy resource -- an alternative fuel with potentially great benefits. The market for knives to produce wood chips promises to increase rapidly in response to our nation's concerns over conservation and energy.

The current domestic share of the chipper knife industry is at its lowest point in history. At one time, American chipper knife manufacturers supplied over 95 percent of domestic chipper knife demand. However, that market share has decreased steadily during the past 10 years in the face of low-priced foreign imports and the poor availability of chipper knife steel. Many companies which previously manufactured substantial quantities of chipper knives have eliminated or sharply curtailed their production of such knives during the past 10 years. However, in almost every case, those companies are likely potential entrants into the chipper knife market if the terms of international trade improve. An important step toward this improvement would be suspension of the duty on chipper knife steel.

III. THE INADEQUATE AND UNRELIABLE SUPPLY
OF DOMESTIC CHIPPER KNIFE STEEL

The production of chipper knives requires a special analysis alloy tool steel which is not now manufactured in the United States in sufficient quantities to even approach the demand requirements of chipper knife manufacturers. In this regard, chipper knife steel is quite unlike other specialty steels which are supplied by domestic sources in sufficient quantities and with respect to which we seek no relief. As I shall explain more fully below, both our industry and the Government -- in specifically exempting chipper knife steel from the specialty steel quotas -- have considered chipper knife steel to be an anomalous commodity.

Chipper knife steel is a particular analysis of alloy tool steel which is designed for one purpose only: the production of chipper knives. Moreover, chipper knife steel is produced and sold only in shapes and sizes which make it amenable to the production of knives. The chemical analysis of chipper knife steel, as it is described in the Tariff Schedules of the United States and in H.R. 2535, is:

alloy tool steel which contains, in addition to iron, each of the following elements by weight in the amount specified:

- | | |
|-----------------|--|
| (i) carbon: | not less than 0.48 nor more than 0.55 percent; |
| (ii) manganese: | not less than 0.20 nor more than 0.50 percent; |
| (iii) silicon: | not less than 0.75 nor more than 1.05 percent; |
| (iv) chromium: | not less than 7.25 nor more than 8.75 percent; |
| (v) molybdenum: | not less than 1.25 nor more than 1.75 percent; |
| (vi) tungsten: | none, or not more than 1.75 percent; and |

(vii) vanadium: not less than 0.20 nor
more than 0.55 percent.*

At an ITC hearing in 1977 regarding specialty steel quotas, Richard P. Simmons -- president of Allegheny Ludlum Steel Corporation and a spokesman for the specialty steel industry -- described chipper knife steel as "a combination of both an unusual analysis and an unusual product form." **/ Mr. Simmons noted that:

"Such unusual analysis, first, is generally melted only at infrequent intervals and, second, only rolled at infrequent intervals because of the necessity of setting a rolling mill not to roll a round but to roll in an unusual cross-section . . ." **/

Speaking as a qualified metallurgist, Mr. Simmons stated that -- for these reasons -- chipper knife steel is "a product that is not only undesirable for American manufacturers to produce but undesirable for foreign manufacturers to produce." **/

For whatever reason -- and despite the protection of relatively high duties -- domestic specialty steel companies have in fact demonstrated little enthusiasm for producing chipper knife steel. There has been no consistent and substantial long-term domestic supplier of chipper knife steel during the past dozen years. Mr. John E. Halloran, president of Michigan Knife Company, will describe these domestic supply problems in more detail in his testimony.

The problems created for domestic chipper knife manufacturers by the inadequate and inconsistent supply of domestic chipper knife steel have received considerable attention from the U.S. International Trade Commission and

*/ Statistical Headnote 1(f) to Schedule 6, Part 2 of the Tariff Schedules of the United States. This chemical description of chipper knife steel was developed by commodity specialists at the U.S. International Trade Commission after imports of chipper knife steel were exempted from the quotas on specialty steel in 1978.

**/ Statement of Richard P. Simmons before the U.S. International Trade Commission on September 9, 1977.

the Executive Branch during the past few years. As part of its reexamination of specialty steel quotas in 1977, the ITC received testimony and other information which demonstrated the heavy reliance of domestic chipper knife manufacturers on imports of chipper knife steel because of inadequate supplies of such steel from domestic sources. After considering this evidence, the Chairman of the Commission recommended that the President terminate the import quotas on chipper knife steel and stated that such termination would not adversely affect the domestic specialty steel industry. */ Similarly, Commissioner Ablondi advised the President of the hardships suffered by domestic consumers of certain special analysis alloy tool steels -- such as chipper knife steel -- because "[d]omestic producers of stainless steel and alloy tool steel have in some instances been unable, or find it unattractive, to supply end-product manufacturers with necessary specialty steel." **/ Even the specialty steel industry recognized the special problems of chipper knife steel consumers, and joined chipper knife manufacturers in urging President Carter to exclude chipper knife steel from the specialty steel quotas. ***/

After considering the advice offered by the ITC, and the recommendations of agencies throughout the Executive Branch, the President determined "that the exclusion of certain steels . . . known as chipper knife steel . . . from . . . quantitative restrictions is in the national interest." ****/

Our Association believes that the same reasons which the President found persuasive when he decided to exempt

*/ Report of the U.S. International Trade Commission to the President on Stainless Steel and Alloy Tool Steel (Investigation No. TA-203-3) (October 1977), at p. 7.

**/ Id. at 9.

***/ Letter to the President dated November 25, 1977, from the Tool and Stainless Steel Industry Committee and Michigan Knife Company.

****/ Presidential Proclamation 4559, 43 Fed. Reg. 14433 (April 6, 1978).

chipper knife steel from the specialty steel import quotas should also be persuasive to the Congress in deciding to suspend the relatively high duty on chipper knife steel.

IV. U.S. IMPORT DUTIES UNFAIRLY AND
UNREASONABLY DISCRIMINATE AGAINST
U.S. CHIPPER KNIFE MANUFACTURERS
AND THEIR EMPLOYEES

The crux of the problem facing domestic chipper knife manufacturers is that the duty on chipper knife steel -- which must be imported in large quantities from abroad -- is almost 13 percent whereas the duty on finished chipper knives against which American manufacturers must compete is only 5 percent.*/

Chipper knife steel constitutes the predominant cost of manufacturing chipper knives. For some knives, the steel represents 70 percent of the cost of the finished product. Therefore, even a minor difference in duties on the steel versus the knives would offer a major competitive advantage to foreign imports. But when the duty on the steel is approximately two-and-one-half times the duty on the knives, the competitive advantage to the foreign producers puts them almost beyond reach.

This great discrepancy in the duties -- in favor of foreign knife manufacturers -- has no rational basis. Strictly as a theoretical matter, the imposition of higher duties on raw materials than on finished goods is contrary to American economic interests. Such a duty structure necessarily penalizes domestic manufacturers and workers by favoring the imports against which they must compete. Moreover, this same

*/ The tariff reductions resulting from the Multilateral Trade Negotiations (MTN) will only further increase the disparity between the duties on chipper knives and chipper knife steel in the next few years. Although the duty on the steel will eventually be reduced to 6 percent, that reduction will not begin to be phased in until January 1982, whereas the reduction of the duties on the knives to 3.7 percent will begin next year. The duty suspension which we seek would terminate in 1982, when the MTN tariff reductions on chipper knife steel would begin to take place.

disparity effectively vitiates the objective of the high duty on the raw material by encouraging its importation in the form of finished products. In this manner, the imposition of higher duties on raw materials than on finished goods results in no benefit to the domestic raw material industry while unnecessarily damaging the domestic finished product industry.

In fact, the relative duties on chipper knives and chipper knife steel have had precisely this effect. They have not discouraged the importation of chipper knife steel. On the contrary, this steel is imported into the United States at the lower duty by first manufacturing it into finished knives. The result is injury to the domestic knife industry (which must pay high duties on the steel it imports) and no corresponding benefit to the domestic specialty steel industry.

V. SUSPENDING THE DUTY ON CHIPPER KNIFE STEEL WILL GREATLY BENEFIT THE AMERICAN CHIPPER KNIFE INDUSTRY AND WILL NOT ADVERSELY AFFECT THE DOMESTIC SPECIALTY STEEL INDUSTRY

Domestic specialty steel companies have not taken advantage of the protection of the high duty to increase their production of this particular alloy tool steel. Similarly, there is no reason to believe that suspension of the duty will have any impact on domestic specialty steel production. This same high duty, however, is a major disadvantage to the chipper knife manufacturers who must depend on foreign imports of steel to survive. Suspension of the duties on the steel will certainly increase the ability of American companies to compete against foreign knife imports, to expand production, to hire more employees, and to pay more taxes. The balance of equity and reason clearly is on the side of suspending the duty.

To put this problem in perspective, consider the following facts. The U.S. Commerce Department has reported that chipper knife steel imports since the removal of the quotas last year have averaged less than 300 tons per month.

During this same time period, domestic specialty steel companies made shipments of over 100,000 tons per month and foreign imports of all specialty steels averaged less than 13,000 tons per month. */ In other words, chipper knife steel imports are less than 3/10 of one percent of domestic specialty steel production and approximately 2 percent of all specialty steel imported into the United States. Obviously, from the perspective of the specialty steel companies, chipper knife steel imports are an insignificant drop in the bucket. However, chipper knife steel represents 100 percent of the raw material for producing chipper knives. To chipper knife manufacturers, such steel is the lifeblood of their existence.

The suspension of the duty on chipper knife steel will not prevent domestic specialty steel producers from participating in this market. Domestic specialty steel companies have one significant advantage over their foreign competitors that has nothing to do with the high duty on specialty steel. This advantage is the relative proximity of the steel companies to the knife manufacturers. Given a choice between a domestic supply and a foreign supply of steel -- at prices which are reasonably competitive -- a knife manufacturer will favor the domestic steel company because shipment times can be less and, as a result, the inventories of steel which the knife manufacturer must maintain (at high cost) can be reduced. Domestic knife manufacturers would prefer not to depend on steel shipments from Europe since those shipments take much longer than shipments from domestic steel companies and since they can be delayed by port congestion, dockworker strikes, and customs clearance.

*/ U.S. Department of Commerce News: Fourteenth Quarterly Report to Aid Review of U.S. Specialty Steel Industry (ITA) (79-112) (December 14, 1979) at p. 3. A copy of the Commerce Department data is attached as Appendix B.

Unfortunately, domestic specialty steel companies have not made good use of these natural advantages over their foreign competition to provide chipper knife steel in large quantities on a consistent basis. Moreover, the prices sought by most domestic specialty steel companies have ranged up to 100 percent higher than the prices offered by foreign steel companies. Indeed, the prices which domestic specialty steel companies seek to charge would effectively drive domestic chipper knife manufacturers out of business. The existing duty on chipper knife steel imports of approximately 13 percent does not offset these other factors which have forced chipper knife manufacturers to purchase the great bulk of their steel from foreign sources. Thus, maintenance of the high duties on chipper knife steel will not result in more domestic chipper knife steel production, nor will the elimination of the duties necessarily reduce it.

We believe there can be no doubt that suspension of the duty on chipper knife steel will not adversely affect the domestic specialty steel industry. However, it would permit expansion of the highly labor-intensive domestic chipper knife industry, which has great potential if our Government will just remove import barriers that discriminate in favor of foreign knife manufacturers.

VI. SUMMARY AND CONCLUSION

On March 13, 1979, our Association petitioned Congress to take prompt, affirmative action to suspend the import duty on chipper knife steel. At a hearing held before the House Subcommittee on Trade last summer, we presented evidence to show that our members -- and domestic chipper knife manufacturers in general -- are seriously disadvantaged by high duties on chipper knife steel which do not offer any corresponding benefit to the domestic specialty steel industry.

The U.S. House of Representatives responded to our legitimate needs by passing H.R. 2535 on December 3, 1979.

This legislation also has the support of the Carter Administration, including the Office of the U.S. Trade Representative. By their actions, the House and the Executive Branch have agreed that the imposition of a duty on chipper knife steel which is approximately two-and-one-half times as large as the duty on finished chipper knives has only negative consequence for America: a loss of American market shares, a loss of American production capacity, a loss of American jobs, and a loss of American opportunities.

By suspending the duty on chipper knife steel, the Congress can directly benefit chipper knife manufacturers, their employees, their suppliers and their customers in the wood and paper industries. In addition, a duty suspension will indirectly benefit the overall economy by reducing prices and increasing domestic employment.

For all these reasons, we respectfully urge you to report H.R. 2535 favorably to the full Senate as soon as possible.

I would now be glad to answer any questions you may have.

**CHIPPER KNIFE MANUFACTURERS
AND MEMBERS OF THE MACHINE KNIFE ASSOCIATION
WHO SUPPORT H.R. 2535**

Bolton-Emerson, Inc.
Lawrence, Massachusetts
Philadelphia, Pennsylvania
Seattle, Washington

Michigan Knife Company
Big Rapids, Michigan
Springfield, Oregon

Detroit Edge Tool Company
Detroit, Michigan

The Ohio Knife Company
Cincinnati, Ohio
Portland, Oregon

Disston, Inc.
Greensboro, North Carolina
Seattle, Washington

R. Hoe & Co., Inc.
Birmingham, Alabama
Scarsdale, New York
Portland, Oregon

Hannaco Knives & Saws, Inc.
Monroe, Louisiana
Greenville, Mississippi
Eugene, Oregon
Florence, South Carolina

Simmonds Cutting Tools
Chicago, Illinois
Shreveport, Louisiana
Fitchburg, Massachusetts

Lancaster Knives, Inc.
Lancaster, New York
Portland, Oregon

The Wapakoneta Machine Company
Wapakoneta, Ohio

MACHINE KNIFE ASSN.
Thomas D. Dolan
Executive Secretary
1717 Howard Street
Evanston, Ill. 60202

Table 1
SPECIALTY STEEL:
U.S. Producers' Shipments, Exports, Imports for Consumption,
Apparent Consumption, and Import Penetration
Quarterly and Annual, 1974-78

Period	Producers' Shipments	Imports ¹ Quantity (1000 tons)	Exports ² Quantity (1000 tons)	Apparent Consumption ³	Import Penetration ⁴ Percentage
1974					
First quarter....	307,468	22,220	26,456	311,704	8.5
Second quarter....	367,431	24,483	30,468	351,356	8.7
Third quarter....	319,741	21,402	28,188	313,127	11.3
Fourth quarter....	393,004	22,400	24,093	371,499	17.2
Year.....	1,387,644	90,505	109,105	1,378,916	11.4
1975					
First quarter....	302,789	12,404	50,309	340,474	10.9
Second quarter....	347,022	11,103	38,909	379,282	11.6
Third quarter....	366,777	10,804	32,921	394,660	17.2
Fourth quarter....	429,178	12,855	33,993	439,040	16.3
Year.....	1,465,766	47,166	156,122	1,417,644	12.1
1976					
First quarter....	310,019	15,927	41,481	361,465	13.8
Second quarter....	334,114	14,220	50,804	377,538	17.3
Third quarter....	348,109	13,718	42,402	379,425	15.4
Fourth quarter....	331,978	12,488	11,807	352,659	11.6
Year.....	1,325,020	54,353	146,494	1,278,526	12.2
1977					
First quarter....	370,187	12,723	33,779	407,135	8.9
Second quarter....	391,903	12,017	45,449	438,561	11.8
Third quarter....	356,269	18,137	22,120	412,286	12.2
Fourth quarter....	363,775	10,999	38,205	426,569	14.2
Year.....	1,522,134	53,876	140,553	1,481,581	12.3
1978					
First quarter....	310,391	12,118	36,487	346,022	11.7
Second quarter....	321,484	12,197	51,771	372,905	13.4
Third quarter....	291,683	14,074	37,816	347,941	9.1
Fourth quarter....	322,290	16,127	38,290	370,123	12.3
Year.....	1,245,848	54,516	163,364	1,191,484	12.3
1979					
First quarter....	244,284	12,573	30,824	276,031	9.1
Second quarter....	226,279	12,587	24,426	254,440	10.1
Third quarter....	312,510	12,477	18,113	306,874	12.1

Note: Specialty Steel covers products listed in items 823.10 through 823.22 and 823.24 of the Annex to Presidential Proclamation 4445 of June 11, 1974, as modified by Proclamation 4477 of November 18, 1974, Proclamation 4509 of June 13, 1977, and Proclamation 4432 of April 9, 1978.

- 1/ Revision of Schedule B numbers for imports, effective January 1, 1974, resulted in a few seventh-digit specialty steel items in the stainless-steel and alloy-steel categories. The resultant redistribution of items between the two categories is believed to be slight and does not appear to impair data comparability with earlier periods at the level of product description shown for the respective categories.
- 2/ Imports of specialty steel through November 1978 now include steel for use in the manufacture of bearings; however, data since then do not include such steel. Monthly imports of this type of steel averaged 1,127 net tons in the period December 1974 through September 1978. Effective April 8, 1978, "chipper knife" and "band saw" steel were excluded from the availability of import restrictions on alloy-steel steel. In the period April 1978 through December 1978, such imports averaged 120 net tons monthly.
- 3/ Producers' shipments plus imports, less exports.
- 4/ Imports as a percentage of consumption.
- 5/ Quarterly figures of producers' shipments do not add to total for year. Corrections and adjustments are reflected in totals for the year but cannot be distributed to individual quarters.
- 6/ Data reflect Census Bureau revisions.
- 7/ Data reflect USITC revisions. 8/ Revised.

Source: Official statistics of the U.S. Department of Commerce, except for producers' shipments, shipment data based on USITC survey.

Prepared by: Import Programs Division, Office of Business Programs, WDC -- November 19, 1979

U.S. Department of Commerce News: Fourteenth Quarterly Report to Aid Review of the U.S. Specialty Steel Industry (ITA 79-187) (December 4, 1979)



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MACHINE KNIFE ASSOCIATION 3461 W. CHURCH STREET • EVANSTON (SKOKIE) ILLINOIS 60120 • (312) 878-3600

February 8, 1980

The Honorable Abraham A. Ribicoff
 Chairman
 Subcommittee on International Trade
 Committee on Finance
 2227 Dirksen Senate Office Bldg.
 Washington, D.C. 20510

RE: H.R. 2535 -- Suspension of the Duty
 On Chipper Knife Steel

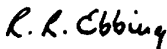
Dear Senator Ribicoff:

Last Tuesday, February 5, 1980, I testified before the International Trade Subcommittee in favor of H.R. 2535. A one-page summary of my oral testimony is enclosed. In addition, I submitted a 15-page written statement to the Finance Committee in favor of H.R. 2535.

Since I did not have an opportunity at Tuesday's hearing to rebut the testimony in opposition to H.R. 2535, I have prepared and enclosed a memorandum for this purpose. I would be glad to discuss in greater detail the information contained in this memorandum.

If you have any questions, please contact me at (313) 366-4120, or the Association's Washington attorney, Glenn Reichardt, at 457-0904. Thank you for your consideration of this matter which is of vital importance to American manufacturers of chipper knives.

Sincerely yours,



R. R. Ebbing
 President

RRE/ram

Enclosures



MACHINE KNIFE ASSOCIATION 1717 HOWARD STREET - EVANSTON, ILLINOIS 60202 - (312) 866-0888

SUMMARY OF TESTIMONY
BEFORE THE
SENATE SUBCOMMITTEE ON INTERNATIONAL TRADE
FEBRUARY 5, 1980

The Machine Knife Association represents a dozen companies from around the country which are engaged in the manufacture and sale of machine knives. The Association vigorously supports H.R. 2535, a bill to suspend for two years the duty on certain alloy tool steels used to make chipper knives.

1. Chipper knives are used in heavy machinery to chip trees and other wood into pulp and wood chips for the production of paper and corrugated boxes, landscaping, sewage treatment, and fuel.
2. Domestic chipper knife manufacturers rely heavily on foreign imports of chipper knife steel because the U.S. supply of such steel has been grossly insufficient and unreliable.
3. The rate of duty on chipper knife steel--including the duties on special metals contained in this alloy--is almost 13 percent, whereas the duty on finished chipper knives is only 5 percent.
4. Since chipper knife steel accounts for a major portion (50 to 70 percent) of the cost of producing chipper knives, the substantial disparity between the duty on the steel and the duty on the knives places domestic knife manufacturers at a serious disadvantage in competing against foreign knife imports.
5. Chipper knife steel is an insignificant portion of both domestic specialty steel production (2/10 of 1 percent) and foreign imports of specialty steel (less than 2 percent).
6. Enactment of H.R. 2535 will directly benefit chipper knife manufacturers, their employees, and their customers in the forestry, paper, and wood industries.

We appreciate your support. Please contact me if you have any questions.

R. R. Ebbing
President



MACHINE KNIFE ASSOCIATION 1717 HOWARD STREET - EVANSTON, ILLINOIS 60202 - (312) 869-8963

MEMORANDUM IN RESPONSE TO
THE TESTIMONY IN OPPOSITION TO H.R. 2535

On February 5, 1980, the International Trade Subcommittee of the Committee on Finance held a hearing on H.R. 2535, a bill to suspend for two years the duty on chipper knife steel. At that hearing representatives of the Machine Knife Association and of Michigan Knife Company, a member of the Association, testified in favor of H.R. 2535. In addition, representatives of Guterl Special Steel and Bethlehem Steel Company testified in opposition to H.R. 2535. Since we did not have the opportunity at the hearing to rebut the arguments in opposition to H.R. 2535, we offer the following responses in this memorandum.

1. Domestic Production of Chipper Knife Steel Is Inadequate.

As we testified at the hearing, the U.S. supply of chipper knife steel has been grossly insufficient and unreliable for American knife manufacturers. As a result, domestic chipper knife manufacturers rely heavily on foreign imports of steel.

The U.S. International Trade Commission has reported to the Congress that domestic steel companies have not supplied more than about 25 percent of the demand for chipper knife steel. Indeed, the Guterl representative admitted that his company, which he identified as the sole existing domestic producer of chipper knife steel, only supplied 20 percent of domestic chipper knife steel demand in 1979.

But even 20 percent overstates the proportion of chipper knife steel which can be supplied by domestic sources in the future. Guterl's sales of chipper knife steel are likely to be substantially lower in 1980 because they have recently put into effect a price increase which makes their product considerably more expensive than foreign steel -- even with the existing 13 percent duty. Therefore, the projected domestic supply of chipper knife steel in 1980 is substantially less than 20 percent.

2. Domestic Supply of Chipper Knife Steel Has Been Inconsistent.

As we testified at the hearing, several domestic specialty steel producers have flirted with the production of chipper

knife steel, only to leave the market when the opportunity arose to produce a more profitable grade. Mr. Halloran's written statement described in detail the occasions on which domestic specialty steel producers terminated their production or sharply raised their prices on short notice.

The Bethlehem representative admitted that his company has gone in and out of the chipper knife steel market during the past. He admitted that Bethlehem left the market before because it could not compete against foreign chipper knife steel. Guterl's production of chipper knife steel has been similarly sporadic. Although, the Guterl representative testified that Guterl's production of chipper knife steel has increased five-fold since 1977, he failed to disclose that Guterl was effectively not in the chipper steel market in 1977, so that the large percentage increase is computed on a very small base year. The fact is that Guterl has also been in and out of the chipper knife steel market over the past twenty years. Guterl made substantial chipper steel sales in the mid-1960's but left the market by the early 1970's. Guterl's increase in sales since 1977 only replaced the portion of the chipper knife steel market which a previous domestic supplier gave up when it too left the chipper knife steel market on short notice.

In other words, no domestic specialty steel producer has been a consistent and stable source of supply of chipper knife steel over the past twenty years. American chipper knife manufacturers, for whom chipper knife steel is our principal raw material, cannot survive if we must depend on such inconsistent production by domestic specialty steel producers.

3. Domestic Chipper Knife Steel is Priced Substantially Above The World Market Price.

As we testified, the prices which domestic specialty steel producers seek to charge for chipper knife steel would force American knife manufacturers to sell their chipper knives at a loss. Given the fierce foreign competition American knife manufacturers face from knife imports, we cannot afford to pay much higher prices for our raw materials than the prices paid by our competitors abroad.

Because of the present duty, American knife manufacturers are now forced to pay at least 13 percent more for our steel than our foreign knife competitors pay. Domestic specialty

steel producers seek to charge a price which is even higher. The prices quoted to Michigan Knife Company, one of the Association's largest chipper knife producers, by domestic specialty steel producers are from 10 percent to 20 percent higher than the price of foreign steel -- including the 13 percent duty. In effect, domestic steel producers would force American knife producers to pay approximately 25 percent more for our raw materials than our foreign competitors must pay for theirs.

4. The Experimental Analysis Recently Developed by Bethlehem is Not a Proven and Reliable Alternate Source of Supply.

As we testified, Bethlehem Steel recently announced its intention to market a substitute for chipper knife steel. The experimental Bethlehem analysis, which was first offered last spring, has had limited field tests and the results have been mixed.

The major difference between the new Bethlehem analysis and traditional chipper knife steel is that the Bethlehem product contains substantially less chrome. It is, no doubt, only because of the reduction in the proportion of this expensive ingredient that Bethlehem can afford to offer chipper knife steel at a price even close to the world market price. But even with less chrome, the Bethlehem analysis is priced above foreign chipper knife steel.

We find it hard to understand how an alloy which contains less of an important constituent element can perform as well as traditional chipper knife steel. In effect Bethlehem is asking American knife manufacturers to "pay more for less."

We certainly support research and development efforts which will lead to a superior chipper knife steel. However, we are not convinced that Bethlehem's recently developed analysis is a superior raw material. Given our foreign competition, American knife manufacturers cannot risk their entire futures upon the optimistic promises of a single steel producer. If the Bethlehem analysis proves its value, we will buy it. We should not be forced to buy it for lack of any alternative.

5. Conclusion.

Given the extremely small percentage of specialty steel production devoted to chipper knife steel, it is beyond reason for steel manufacturers to suggest that the enactment of H.R. 2535 will have a significant effect on the steel industry, especially since the duty on chipper knife steel would be suspended for only two years. On the other hand, the suspension of the duty on chipper knife steel is crucial to American chipper knife manufacturers.

Before The
Subcommittee On International Trade
Committee on Finance
United States Senate

STATEMENT OF

MR. JOHN E. HALLORAN

President
Michigan Knife Company
120 Pere Marquette Street
Big Rapids, Michigan 49307
(616) 796-4858

IN SUPPORT OF H.R. 2535
TO SUSPEND THE DUTY ON
CHIPPER KNIFE STEEL

February 5, 1980

STATEMENT OF JOHN E. ("JAY") HALLORAN
MICHIGAN KNIFE COMPANY
Summary of Principal Points

(1) For the past six years Michigan Knife Company has been forced to rely on foreign imports of chipper knife steel for at least 75 percent of our raw material requirements because domestic sources did not supply large quantities of steel on a consistent long-term basis.

(2) Currently Michigan Knife Company relies on foreign suppliers for 100 percent of our raw material needs because our most recent U.S. supplier will not furnish steel at a price which is competitive with foreign sources -- even though the foreign steel prices include the existing duty on chipper knife steel.

(3) Michigan Knife Company has had disappointing supply relationships with several domestic specialty steel companies during the past six years. In each instance the domestic source discontinued production of chipper knife steel with little or no notice to Michigan Knife.

(4) Even with the protection of a 13 percent duty, domestic specialty steel companies apparently regard chipper knife steel as a marginally profitable product which they will produce only when their orders for other grades of steel are low. When the demand for other grades increases, the domestic specialty steel manufacturers discontinue their production of chipper knife steel.

(5) Recently yet another domestic specialty steel company, Bethlehem Steel, announced its intention to manufacture and supply chipper knife steel. However, the steel Bethlehem offers is not the traditional chipper knife alloy described in H.R. 2535, but a "skinnier" analysis which has had, at best, mixed results in its limited field tests, yet is priced above foreign supplies of traditional chipper knife steel.

(6) Given the previous history of domestic production of chipper knife steel, Bethlehem's recent promises are not a reliable basis upon which American knife manufacturers like Michigan Knife can plan production in the next two years.

(7) The prices at which domestic specialty steel companies seek to sell us chipper knife steel are so high they would force Michigan Knife to sell our knives at a loss.

(8) Competition in the chipper knife industry is fierce. In such a price-sensitive market, the great disparity between the duty on chipper knife steel (almost 13 percent) and the duty on imported chipper knives (only 5 percent) gives foreign knife manufacturers a major competitive advantage -- particularly since steel represents approximately 70 percent for our cost of manufacturing most knives.

(9) The duty advantage which presently favors our foreign knife competitors is surprisingly large. The duty we pay to manufacture a knife with imported steel is from 64 percent to 94 percent greater than the duty that would be assessed on the same knife if it were imported in its finished state.

(10) The suspension of the duty on chipper knife steel would open major opportunities for the chipper knife industry to increase production, employment, and domestic market share. The failure to enact H.R. 2535 would result in increased imports of foreign knives; lower American domestic specialty knife production, and no benefit to steel producers.

THEREFORE, I strongly urge the Members of this Committee to report H.R. 2535 favorably to the full Senate as soon as possible.

STATEMENT OF JOHN E. HALLORANI. INTRODUCTION

My name is John E. Halloran. I am the president of Michigan Knife Company of Big Rapids, Michigan, and Springfield, Oregon. Michigan Knife, which was organized in 1974, employs about 100 American workers, to whom it pays wages and salaries which exceed \$ 1,200,000 annually. Our annual sales are approximately \$6,000,000. More than 80 percent of these sales are of chipper knives and related knife products. Although Michigan Knife is proud of its record of development, we believe that the enactment of H.R. 2535 will enable our company, and other U.S. producers of chipper knives, to increase dramatically our sales and the number of U.S. jobs which we provide.

I have been the president of Michigan Knife since its creation. My previous experience includes an additional 10 years in the wood knife industry with United Shoe Machinery Corporation of Medway, Massachusetts.

Chipper knives are wood-related industrial knives which are used in heavy machinery to chip wood into pulp and wood chips. The chipper knife market has great potential for expansion since wood chips and wood fiber are being used for an increasing variety of purposes in order to utilize more fully our trees and forests -- one of our nation's only naturally renewable resources. For example, wood chips are used to manufacture paper and corrugated boxes, to treat sewage, and for landscaping. Wood chips are also now being used as an energy resource -- an alternative fuel with potentially great benefits. The market for knives to produce wood chips promises to increase rapidly in response to our nation's concerns for conservation and energy.

Michigan Knife supplies almost 1,000 customers across the nation in the forestry, paper, and mill supply industries. These customers include such major corporations

as Champion Building Products, International Paper, Boise Cascade Corporation, Georgia-Pacific, and Weyerhaeuser, Inc. Customers for chipping machines range from major paper processing companies, such as Boise Cascade and Union-Camp, to small towns and villages, which purchase small chipping units for tree-limb removal.

II. FIERCE COMPETITION IN THE CHIPPER KNIFE INDUSTRY

Our company faces fierce competition -- primarily from foreign chipper knife manufacturers who benefit from the low duty on finished knives. This sad situation can be illustrated by the following example.

Assume, for the sake of illustration, that the labor and material costs of domestic and foreign knife manufacturers are approximately the same. This assumption is reasonable since most imported knives are made of steel obtained from the same sources which supply American knife manufacturers and since imported knives come principally from European countries whose labor costs are similar to those in the United States.

For example, the knife I have in front of you, which is one of our most popular knives, has an estimated import cost of \$11.65, resulting in 58 cents duty at a 5 percent rate. The current cost to import the steel necessary to make that knife is \$7.27, plus a duty of 95 cents at a 13 percent rate. The 37 cent difference between the 58 cent duty assessed on the imported knife and the 95 cent duty assessed on the imported steel represents a net duty advantage to our foreign competitors of 63.8 percent. I would like to emphasize that the net duty advantage to foreign competitors is even higher for other knife sizes. In fact, we estimate that the duty advantage to our foreign competitors, with respect to another one of our leading knives, is 94 percent.

These duty advantages have helped foreign knife imports to increase their share of the U.S. chipper knife market from a small fraction 20 years ago to the lion's

share today. We estimate that foreign knives presently account for over 60 percent of the U.S. chipper knife market. At one time, U. S. producers supplied over 95 percent of this market. This drastic and demoralizing turn-of-events has resulted in the loss of American jobs, production capacity, tax revenues, and investment.

III. THE UNRELIABLE AND INSUFFICIENT
DOMESTIC SUPPLY OF CHIPPER KNIFE STEEL

The manufacture of chipper knives requires only one raw material: chipper knife steel. Such steel has a specific chemical analysis and shape which is designed for use solely to manufacture chipper knives.

In his testimony to the Subcommittee on behalf of the Machine Knife Association, Mr. R. R. Ebbing noted that previous Government studies have found that chipper knife steel is not available from domestic sources in sufficient quantities to meet domestic demand. Mr. Ebbing also cited statements made by Richard Simmons, the president of Allegheny-Ludlum Steel and a representative of the specialty steel industry, which explain why chipper knife steel is not an attractive product for the specialty steel industry.

I can testify--from first-hand experience--that domestic specialty steel producers are not and have not been a consistent and sufficient source of supply for Michigan Knife. Despite my company's repeated efforts, we have not been able to establish a satisfactory long-term supply relationship with any American specialty steel producer. The facts are that:

- at no time have domestic specialty steel companies supplied more than 20 to 25 percent of our raw materials;
- no more than one domestic specialty steel company has supplied us at any one time;
- neither of the two domestic specialty steel companies which have supplied my company made deliveries for more than 18 months before terminating us with little or no notice;

- despite their initial promises, domestic suppliers regularly developed huge backlogs of orders and extended delivery times to over 14 weeks, causing us substantial unexpected manufacturing difficulties and customer inconvenience because of the disruption in our flow of raw materials;
- the domestic prices offered for chipper knife steel are often 50 percent or more above the world market price, making it impossible for us to buy domestic steel and remain competitive with foreign manufactured knives imported into the United States;
- when we have submitted orders to domestic suppliers for increased quantities of chipper knife steel, those orders have often gone unfilled, or their delivery was substantially delayed, because the domestic mills were operating at full capacity producing more profitable grades of steel.

I would be happy to supply the Subcommittee with documented evidence of each of these facts. But for present purposes, I will only summarize the specific supply problems our company has had.

When Michigan Knife was formed in 1974, we approached eleven domestic specialty steel companies with requests that they supply us with raw materials. Only two domestic companies have ever supplied us with chipper knife steel. The others have indicated either that they are not interested in producing chipper knife steel, or that they would produce such steel only at prices which are far in excess of the world market price.

In 1977 we faced serious raw material shortages because of the then-existing import quotas on specialty steel. At the time Universal-Cyclops Specialty Steel Company was supplying us with limited quantities of chipper knife

steel. Shipments from Cyclops supplied approximately 15 percent of our steel requirements. Despite our pressing need for even more steel, Cyclops informed us in late 1977 that it was not in a position to continue to supply any chipper knife steel because their production facilities were operating at near capacity levels making other grades of steel. I was told that chipper knife steel was a marginally profitable product which domestic specialty steel producers would prefer not to manufacture if orders for other grades of steel could keep their mills full.

As a result our domestic chipper knife steel supply was cut off abruptly. A Cyclops salesman has not approached us to solicit an order since 1977. The lesson of 1977 is clear. Despite our need and willingness to deal with domestic suppliers, neither Cyclops nor any other U.S. specialty steel manufacturer will supply us with more than a small portion of our chipper knife steel requirements on a long-term basis. Fortunately, the U.S. International Trade Commission and President Carter responded to our problem by exempting chipper knife steel from the specialty steel quotas in April 1978. This exemption has at least enabled us to obtain necessary supplies of raw materials, although subject to a 13 percent duty which we believe is unnecessary and unfair.

The bitter lesson of 1977 was repeated in 1979 when another domestic source of supply unexpectedly left the chipper knife steel market. In early 1978, after Cyclops discontinued chipper knife steel production, Simonds Steel Co. of Lockport, New York (a division of Guterl Special Steel Corp.) began to express more interest in producing our alloy. We were happy to find a domestic source to replace Cyclops and placed an increasing proportion of our orders with Simonds during 1978--from approximately 5 percent of our requirements to almost 25 percent by early 1979. Simonds encouraged our interest and dependence on them by promising to maintain prices which were within a competitive range of world chipper knife steel prices.

Last June Simonds informed us that their price for chipper knife steel would increase by over 50 percent-- effective immediately. We cannot afford to pay such prices and continue to compete against foreign knives. Apparently Simonds Steel went through a major change in management during early 1979 which changed the company's attitude toward chipper knife steel. But, whatever the reason, it is the recurrence of exactly this kind of treatment by the domestic specialty steel industry which has forced us to rely on foreign sources of steel.

Recently yet another domestic specialty steel company, Bethlehem Steel Corporation, announced its intention to manufacture and supply chipper knife steel. However, the steel Bethlehem offers is not the traditional chipper knife alloy described in H.R. 2535, but a "skinnier" analysis which contains significantly less chromium than the traditional grade of chipper knife steel. Because of these differences in chemical composition, the product Bethlehem offers is not "chipper knife steel" as described in H.R. 2535.

The chemical analysis of chipper knife steel is crucial to its suitability for making chipper knives. The combination of elements in traditional chipper knife steel is the one which has been found -- after years of experience -- to give a chipper knife the necessary qualities of toughness and durability which are required in the wood chipping process.. The new analysis which Bethlehem has begun to steel is virtually untested in field applications. Indeed, I have received complaints from knife customers about knives which have been made with the new Bethlehem alloy.

In our highly competitive market, we cannot afford to rely on an untested raw material which, at least in theory, should not perform as well for our customers. Nevertheless, since we always like to encourage efforts which might lead to the development of a superior chipper

knife steel, and since we seek a true domestic source of supply, Michigan Knife Company has been prepared to cooperate with Bethlehem by purchasing test samples of their new material. Indeed, twice last year I offered to purchase 2,000 pound samples from Bethlehem at a price which would be competitive with the world price for chipper knife steel.*/ However, Bethlehem refused to cooperate on these terms, and insisted that Michigan Knife purchase much larger production lot quantities of their new analysis at a price approximately 20 percent above the price charged by foreign sources for traditional chipper knife steel. As I told Bethlehem, Michigan Knife Company -- which is a much smaller firm than Bethlehem -- cannot commit itself to such large orders at such high prices until we have had the opportunity to test the new analysis. My pleas to Bethlehem for a more flexible attitude were to no avail. Instead, Bethlehem has not made the least attempt in the past 6 months to sell its new analysis to Michigan Knife.

Given Bethlehem's posture last year and our long history of disappointment with other domestic specialty steel producers, Michigan Knife cannot consider Bethlehem's new chipper knife analysis to be a reliable source of supply -- at least not in the foreseeable future. If Bethlehem continues to insist upon prices for its experimental analysis which are substantially in excess of the world market price for traditional chipper knife steel, I seriously doubt that Bethlehem will be a major supplier of chipper knife steel to any American knife manufacturer. Certainly Michigan Knife Company is not prepared to depend upon Bethlehem as its sole source of supply.

The history of domestic production of chipper knife steel and the independent analyses done by the ITC and

*/ Letters from John E. Halloran to Lawson Ainsworth on May 23, 1979, and July 13, 1979. I would be glad to make copies of these letters available to the Committee.

the Executive Branch in 1977 and 1978 led to the same conclusion: the American specialty steel industry does not have a strong continuing interest in manufacturing chipper knife steel. Chipper knife steel appears to be the last product domestic steel companies want to produce, and the first product they want to drop. My company -- and the chipper knife industry generally -- cannot survive if we depend upon insufficient and inconsistent domestic sources of supply. We must plan on importing the bulk of our raw materials from abroad.

IV. THE UNFAIR AND UNREASONABLY HIGH DUTIES ON CHIPPER KNIFE STEEL DISCRIMINATE AGAINST AMERICAN MANUFACTURERS AND AMERICAN WORKERS

The present high duties (almost 13 percent) on chipper knife steel do not benefit the specialty steel industry. However, they do discriminate against American chipper knife manufacturers which must compete against imported foreign knives which are subject to only a 5 percent duty.

The domestic market for chipper knives is highly competitive. Small price differences can be decisive in the purchase decisions of chipper knife customers. As I previously described in Section II, the high duties on chipper knife steel--which are more than two-and-one-half times as great as the duties on foreign chipper knives--give our foreign competitors a decided advantage in the chipper knife market. Yet they offer no corresponding benefit to the American economy in the form of increased steel production, since even in the presence of high tariff protection, American specialty steel producers have not been a major factor in the chipper knife steel market. There is no reason to expect steel companies to increase their participation in this market in the near future. On the contrary, history suggests that domestic steel companies will be producing less chipper knife steel in the future, even if the duty on this steel remains at its current levels.

On the other hand, suspending the duty on chipper knife steel will give domestic chipper knife manufacturers a substantial opportunity to regain much of the market share which they once had. We believe that if Congress suspends the duty on chipper knife steel--by enacting H.R. 2535--the domestic share of the U.S. chipper knife market could increase substantially over a short period of time. Such an increase in production would mean more jobs for American workers, since the production of knives is very labor-intensive.

The alternative result--by not enacting H.R. 2535--would be a continued decline of the domestic chipper knife industry. More and more knives will be imported and more and more jobs will be lost--not as the result of fair competition, but as a direct result of U.S. tariff policy.

Thank you, Mr. Chairman. I would now be glad to answer any questions you or the other Members of the Subcommittee may have.

Senator RUBINOFF. Mr. Williams and Mr. Saxman?

**STATEMENT OF DONALD F. WILLIAMS, MANAGER OF SALES,
BETHLEHEM STEEL CO.**

Mr. WILLIAMS. Mr. Chairman and members of the committee, my name is Donald F. Williams and I am manager of the tool steel sales department for the Bethlehem Steel Corp.

I have been engaged in the production of the metallurgy and the sale of tool steels and other special analyses at Bethlehem for 38 years.

I have held my current position as manager for the past 11 years.

You have my prepared statement which I would like to summarize, and, in so doing, testify in opposition to the proposed bill, H.R. 2535, suspending the duty on chipper knife steel.

The Bethlehem Steel Corp. has produced special analysis knives for use in many varieties of cutting, chopping or chipping knives for over 70 years. This includes analyses falling within the chemistry specified in H.R. 2535.

I would like to insert here that inadvertently Mr. Ebbing stated that the consumption of chipper knives last year was 10 million tons. He may have meant \$10 million. Ten million tons would be 10 percent of gross steel production in the United States.

During the period 1970 to 1974, Bethlehem was forced out of active solicitation of this market because of rapidly increasing costs and price oriented competition from foreign producers of specialty steels. Imported steel selling prices were approximately 25 percent below the levels we required for a nominal return.

To retain some portion of this market and provide work for our mill at Bethlehem, Pa., which is ideally suited to its production, Bethlehem instituted a research program to develop a competitive analysis having lower production costs and improved physical properties.

This program has been successful to the point where the current selling value for our chipper knife stock is only 5 percent greater than that of the imported product.

I submit that in the face of worldwide inflation, the declining value of the dollar, cost increases and availability problems with alloying elements, the only factor restraining the prices of imported specialty steel generally, and the price of chipper knife steel in particular, is the existence of a domestically produced, competitive material.

Whether this material is produced by Bethlehem or other domestic producers and whether its analysis is the same as, or different from, the traditional analysis, is unimportant. Under unsettled world economic and political conditions, the essentiality of competitive domestic sources of supply is the real key to economic and reliable supply for the knife industry.

Putting these domestic sources at a hopeless disadvantage by legislation awarding a price advantage to foreign steel producers is not in the long term best interest of the knife industry, the specialty steel industry, or the country as a whole.

We do not feel that it is the intent of Congress to discourage competition or inventiveness on the part of domestic industries by such legislation.

I hope that the members of this subcommittee will not deprive the domestic specialty steel industry of an opportunity to compete with foreign steel by approving H.R. 2535.

Your interest in, and consideration of, our viewpoint is greatly appreciated. Thank you.

Senator RIBICOFF. What response do you have to the contention of the knife manufacturers that the American steel industry has been indifferent toward manufacturing this particular type of steel—that they figure it is unprofitable and they do not bother with it?

Mr. WILLIAMS. Well, the fact that the imported price has got to be 25 percent below our best efforts, even going for—pardon the expression—a black figure, a nominal profit—the 25 percent was something we could not overcome. That is when we challenged our R. & D. department to do something, but they do not give us something that is the same as. Give us something that is better than, hopefully with lower costs, and our R. & D. people have done this.

The people that we have worked with intensely on our trials have found nothing but equal-to results, or much better than, far superior properties and performance. Like anything it takes awhile to get something off the ground and we are in the process of doing that. We are getting repeat orders and we have plenty of space in our mail to take more.

Senator RIBICOFF. I think I understand the problem. Do you gentlemen want to add anything?

**STATEMENT OF MARK SAXMAN, EXECUTIVE VICE PRESIDENT,
GUTERL STEEL CORP., LOCKPORT, N.Y.**

Mr. SAXMAN. Mr. Chairman, my name is Mark Saxman, executive vice president of Guterl Steel Corp., of Lockport, N.Y. I was to testify in opposition to H.R. 2535 which would suspend the current duty on chipper knife steel.

Chipper knife is an alloy, a specialty steel. More than 95 percent of the domestic production of chipper knife steel is used to make industrial or chipper knives. These knives are used primarily to chop wood in the production of paper and other lumber products.

Chipper knife steel is a product that any specialty steel company has the ability to produce, yet because of foreign competition, only one U.S. steel company, Guterl Steel Corp., presently produces this chipper knife steel. Other companies, like Bethlehem Steel Corp., wish to resume production but will not do so if the duty on these imported products is suspended.

The current market for domestic chipper knives is fairly good. Guterl has expanded its production fivefold since 1977 and its present output supplies approximately 20 percent of the domestic demand for chipper knives.

Even with the inflation of the last 5 years, Guterl's prices for this steel have remained relatively constant and currently are competitive with foreign producers.

At present, the equivalent of 30 persons are directly involved in the production of chipper knife steel and another 15 workers indirectly involved are the production force of 450 to 500 workers. There is a capacity existing in our plant to double the output of chipper knife steel.

The company has plans to expand and modernize the mills, to substantially increase the capacity for this and other steels.

The chipper knife, one, is a very valuable bread and butter item in our particular mills, which makes it economically feasible to operate these mills for other steels and alloys. Some of these have significant strategic importance, such as high temperature alloys for aircraft engines and nuclear alloys for naval reactors.

My opposition to the passage of this duty suspension bill rests on the fact that passage will eliminate the last domestic producer from domestic chipper knife steel markets. Passage of this bill will, it follows, eliminate the opportunity for others who may be interested in producing chipper knife steel to commence production. Indeed, the passage of this duty suspension would represent, in my view, another step toward the dismantling of the domestic steel industry.

If companies are not able to produce various specialty steel products, the strength of the entire steel industry is diminished.

I urge your vote against this duty suspension on this basis. Thank you very much.

Senator RIBICOFF. Thank you very much, gentlemen.

H.R. 2492. Mr. Buchman.

Mr. DEKIEFFER. Mr. Chairman, if I could make one final statement, I am Donald E. deKieffer, representing the specialty steel industry of the United States. The Tool and Stainless Steel Industry Committee represents 17 producers of specialty steels who are capable of making chipper knife steel and we fully concur with the statements of Mr. Saxman and Mr. Williams.

Senator RIBICOFF. Thank you very much.

Mr. DWYER. Mr. Chairman, my name is James Dwyer, president of Local 2857, United States Steelworkers of America. On behalf of the United States Steelworkers, I would like to express our strong agreement with the statements of Mr. Williams and Mr. Saxman.

Imports of chipper knives are allowed to expand and scores of jobs will be lost in Lockport, N.Y., since the Trade Adjustment Assistance Act has not been acted upon by the Senate.

The prospects for steelworkers injured by imports are extremely dim.

I urge you to defeat H.R. 2535.

Senator RIBICOFF. Thank you, gentlemen.

[The prepared statement of Mr. Williams follows:]

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STATEMENT BY

DONALD F. WILLIAMS
MANAGER OF TOOL STEEL SALES
BETHLEHEM STEEL CORPORATION

BEFORE THE

U.S. SENATE COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE

FEBRUARY 5, 1980

HR 2535

MY NAME IS DONALD F. WILLIAMS, I AM MANAGER OF TOOL STEEL SALES FOR BETHLEHEM STEEL CORPORATION. I HAVE BEEN ENGAGED IN THE PRODUCTION AND SALE OF TOOL STEELS AND OTHER SPECIAL ANALYSES AT BETHLEHEM FOR 38 YEARS. DURING THAT TIME, MY RESPONSIBILITIES HAVE ENCOMPASSED MILL OPERATIONS AND METALLURGY AS WELL AS SALES. I HAVE HELD MY PRESENT POSITION SINCE 1969.

I WISH TO TESTIFY IN OPPOSITION TO THE PROPOSED BILL SUSPENDING THE DUTY ON CHIPPER KNIFE STEEL, AND RESPOND TO PREVIOUS TESTIMONY IN SUPPORT OF THE MEASURE.

IT HAS BEEN SAID ON THE HOUSE SIDE THAT "THE DOMESTIC SUPPLY OF THIS PARTICULAR KIND OF SPECIALTY STEEL IS FAR TOO LIMITED AND INCONSISTENT TO MEET THE SUBSTANTIAL PORTION OF DOMESTIC DEMAND REQUIRED FOR THIS SORT OF PROTECTION."

THAT IS THE RECURRENT THEME OF THOSE WHO SUPPORT THE BILL, ALONG WITH COMPLAINTS THAT THE PRICES OF DOMESTIC CHIPPER KNIFE STEEL ARE TOO HIGH, THUS PUTTING DOMESTIC MANUFACTURERS OF THE FINISHED KNIVES AT A DISADVANTAGE WITH RESPECT TO THEIR FOREIGN COMPETITORS.

I RESPECTFULLY TAKE ISSUE WITH BOTH OF THOSE ASSERTIONS.

BETHLEHEM'S PRINCIPAL PRODUCTION FACILITIES FOR HIGHLY ALLOYED STEELS, SUCH AS THOSE USED FOR MACHINE KNIVES AND SHEAR BLADES OF MANY KINDS, ARE IN THE TOOL STEEL AND SPECIALTY

METALS DIVISION OF THE BETHLEHEM PLANT AT BETHLEHEM, PENNSYLVANIA. OUR BETHLEHEM MILL ALONE COULD PRODUCE OVER 75% OF THE REQUIREMENT FOR CHIPPER KNIFE STEEL.

AT PRESENT, THIS DIVISION EMPLOYS 254 PEOPLE DIRECTLY, PLUS 192 PEOPLE IN THE ELECTRIC FURNACE MELTING DEPARTMENT. THE ELECTRIC FURNACE MELTING DEPARTMENT SUPPLIES THE ROLLING AND FORGING OPERATIONS WITH STEEL INGOTS.

IT IS ALSO WORTH NOTING THAT MANY FORMER EMPLOYEES OF THIS DIVISION ARE RECEIVING FEDERALLY FUNDED SUPPLEMENTAL UNEMPLOYMENT BENEFITS BECAUSE THEY WERE LAID OFF AS THE DIRECT RESULT OF THE IMPACT OF IMPORTED STEELS ON THEIR JOBS.

FOR OVER 70 YEARS, BETHLEHEM HAS PRODUCED SPECIALTY STEELS OF MANY DIFFERENT ANALYSES USED IN THE CUTTING, CHOPPING, SHEARING AND CHIPPING OF MANY MATERIALS -- FROM SUGAR BEETS TO STAINLESS STEEL. THIS LIST INCLUDES SEVERAL DIFFERENT VARIATIONS OF THE ANALYSIS COMMONLY REFERRED TO AS "CHIPPER KNIFE STEEL". THESE VARIATIONS WERE COMMON PRIOR TO 1970. INDIVIDUAL KNIFE MANUFACTURERS OFTEN DEVELOPED THEIR OWN PROPRIETARY CHEMICAL ANALYSES AND SOLD THEIR END PRODUCTS ON THE BASIS OF THEIR SUPERIOR PHYSICAL PROPERTIES AND SERVICE LIFE. IN PRIOR YEARS, BETHLEHEM AND OTHER DOMESTIC PRODUCERS SOLD THESE STEELS IN COMPETITION WITH FOREIGN PRODUCERS AT COMPETITIVE LEVELS.

SINCE 1970, HOWEVER, EVER-INCREASING COSTS OF ALLOYING ELEMENTS, LABOR AND ENERGY HAVE PUSHED UP THE SELLING PRICES OF THESE STEELS TO THE POINT WHERE, BY 1974, THE DIFFERENCE BETWEEN DOMESTIC AND IMPORTED MILL PRICES WAS APPROXIMATELY 25%. BETHLEHEM COULD NOT ABSORB THAT DIFFERENTIAL AND CONTINUE IN THE CHIPPER KNIFE BUSINESS.

ACCORDINGLY, SINCE THE MARKET WAS MAJOR -- OVER 3,000 TONS A YEAR -- AND SINCE THE FORM OF THE PRODUCT -- THIN RECTANGULAR CROSS-SECTIONS -- IS WELL-SUITED TO OUR 12-14 INCH MILL AT BETHLEHEM, WE INITIATED A RESEARCH PROJECT WITH THE FOLLOWING OBJECTIVES.

FIRST --

DEVELOP A NEW ANALYSIS TO REPLACE THE VERY HIGHLY ALLOYED MATERIALS THEN IN USE. OUR PURPOSE WAS NOT ONLY TO LOWER COSTS, BUT ALSO TO IMPROVE AVAILABILITY AT TIMES OF CRITICAL SUPPLY. THE POSSIBILITY OF IMPROVED PHYSICAL PROPERTIES WAS ALSO TO BE EXPLORED.

SECOND --

STUDY OUR PRODUCTION FACILITIES TO ASSURE OUR ABILITY TO PRODUCE A FULLY COMPETITIVE ROLLED BAR IN TERMS OF SIZE, TOLERANCES AND SURFACE CONDITIONS (DECARBURIZATION LEVELS).

I WOULD LIKE TO POINT OUT HERE THAT WHILE A 3,000-TON MARKET DOES NOT APPEAR MAJOR IN LIGHT OF THE NATIONAL STEEL MARKET FOR ALL PRODUCTS, IT IS APPROXIMATELY 3% OF THE TOTAL

TOOL STEEL SHIPMENTS OF ALL THE DOMESTIC PRODUCERS IN 1979 AND, MORE IMPORTANTLY, 30% OF THE TOTAL SHIPMENTS OF SPECIAL PURPOSE, LOW ALLOY TOOL STEELS DURING THE SAME PERIOD. THE RETURN OF THAT PRODUCTION TO DOMESTIC SOURCES WOULD BE AN IMPORTANT CONTRIBUTION TO EMPLOYMENT LEVELS.

WITHOUT GOING INTO GREAT DETAIL, OUR RESEARCH PROGRAM WAS A SUCCESS. BY MID-1977 WE HAD AN ANALYSIS THAT APPEARED TO HAVE THE DESIRED CHARACTERISTICS OF BOTH RELATIVE ECONOMY AND IMPROVED PHYSICAL PROPERTIES. FIELD TESTS DURING 1977 AND 1978 CONFIRMED THE LABORATORY WORK.

LATE IN 1978, A SMALL PRODUCTION HEAT WAS ORDERED BY A KNIFE MANUFACTURER AT A PRICE LEVEL APPROXIMATELY 10% HIGHER THAN THAT OF THE IMPORTED PRODUCT.

THIS MATERIAL HAS BEEN SUCCESSFULLY PROCESSED AND THE KNIVES PLACED IN SERVICE WITH GOOD RESULTS. WE HAVE RECEIVED A SECOND AND LARGER ORDER FROM THE SAME MANUFACTURER.

IT IS WORTHWHILE TO NOTE THAT WHILE IT IS TRUE THAT THE SELLING PRICE OF OUR MATERIAL HAS INCREASED DUE TO INCREASED COSTS SINCE ITS INTRODUCTION IN 1978, THE CURRENT DIFFERENTIAL BETWEEN IT AND THE IMPORTED PRODUCT -- AS WE UNDERSTAND IT -- IS ONLY ABOUT 5%. APPARENTLY THE IMPORTED PRODUCT HAS INCREASED GREATLY -- BY OVER 25% WITHIN A 2 YEAR PERIOD -- IN SPITE OF THE REMOVAL OF THE ELEMENT TUNGSTEN FROM THE ANALYSIS BY FOREIGN PRODUCERS.

I SUBMIT THAT IN THE FACE OF WORLD-WIDE INFLATION, THE DECLINING VALUE OF THE DOLLAR, COST INCREASES AND AVAILABILITY PROBLEMS WITH ALLOYING ELEMENTS, THE ONLY FACTOR RESTRAINING THE PRICE OF IMPORTED SPECIALTY STEEL GENERALLY -- AND THE PRICE OF CHIPPER KNIFE STEEL IN PARTICULAR -- IS THE EXISTENCE OF DOMESTICALLY PRODUCED, COMPETITIVE MATERIAL. WITHOUT DOMESTIC PRODUCERS, IT APPEARS THAT IMPORTS OF THIS PRODUCT WILL BE LIKELY TO ESCALATE GREATLY, TO THE INJURY OF DOMESTIC MAKERS OF FINISHED KNIVES AND THEIR CUSTOMERS.

WHETHER THIS MATERIAL IS PRODUCED BY BETHLEHEM OR OTHER DOMESTIC PRODUCERS, AND WHETHER ITS ANALYSIS IS THE SAME AS, OR DIFFERENT FROM THE TRADITIONAL, IS NOT IMPORTANT. THE ESSENTIALITY OR COMPETITIVE DOMESTIC SOURCES OF SUPPLY -- IS THE REAL KEY TO AN ECONOMIC, RELIABLE SUPPLY FOR THE KNIFE INDUSTRY.

PUTTING THOSE VITAL DOMESTIC SOURCES AT A HOPELESS DISADVANTAGE BY LEGISLATION AWARDED A PRICE ADVANTAGE TO FOREIGN STEEL PRODUCERS ISN'T IN THE LONG-TERM BEST INTEREST OF THE KNIFE INDUSTRY, THE SPECIALTY STEEL INDUSTRY OR THE COUNTRY AS A WHOLE.

I HAVE STATED EARLIER THAT OUR 12-14" ROLLING MILL AT BETHLEHEM IS PARTICULARLY WELL-SUITED TO THE PRODUCTION OF THE THIN, RECTANGULAR SECTIONS USED IN THE MANUFACTURE OF CHIPPER KNIVES. THERE ARE SIMILAR FACILITIES OPERATED BY

SEVERAL OTHER DOMESTIC PRODUCERS. THERE IS NO LACK OF DOMESTIC PRODUCTION CAPACITY. THERE HAS BEEN ONLY A LACK OF POTENTIAL RETURN ON INVESTMENT AS LONG AS FOREIGN PRODUCERS WERE APPARENTLY UNAFFECTED BY WORLD-WIDE COST INCREASES IN THEIR PRICING PRACTICE. APPARENTLY, THIS PHILOSOPHY HAS CHANGED AND THEY ARE ATTEMPTING TO ESTABLISH A PRICE ADVANTAGE BY LEGISLATIVE ACTION. BETHLEHEM CAN BE A VERY RELIABLE SOURCE FOR THE KNIFE INDUSTRY WITH A PRODUCT THAT MIGHT EVEN COMMAND A 5% PREMIUM.

CONSIDERING THE PRESENT STATE OF WORLD ECONOMICS AND POLITICAL INSTABILITY, ANY PROGRAM THAT INCREASES OUR NATION'S DEPENDENCE ON FOREIGN SOURCES FOR ANY MATERIAL IS QUESTIONABLE. DURING ANY EMERGENCY, THE PROCESSING OF TIMBER INTO CONSTRUCTION MATERIALS; COMMUNICATION MATERIALS; FUELS, EITHER AS WOOD OR DISTILLED INTO ALCOHOL; INSULATION; ETC. BECOMES AN IMPORTANT PART OF OUR NATIONAL EFFORT.

WHILE IT IS TRUE THAT THE PARTICULAR BILL IN QUESTION DEALS WITH ONLY ONE ANALYSIS, THE PRINCIPLE OF LIMITED EXCEPTION COULD EASILY BE EXPANDED TO INCLUDE "CHIPPER KNIVES" AS A GENERIC TERM. THEN, IF PRECEDENT IS ESTABLISHED; THE EXCLUSION COULD BE EXTENDED TO SCRAP CHIPPER KNIFE STEEL, AND PLASTIC GRANULATOR KNIFE STEEL, AND SHEET METAL SHEAR KNIFE STEEL.

ONCE A PRECEDENT HAS BEEN ESTABLISHED, THIS TACTIC COULD BE APPLIED TO ANY IMPORTED PRODUCT WHEN AMERICAN MANUFACTURERS

HAVE ATTEMPTED TO BREAK THE FOREIGN HOLD ON THE MARKET THROUGH THE DEVELOPMENT OF A NEW, IMPROVED PRODUCT. OR, WHENEVER FOREIGN PRODUCTION COSTS HAVE RISEN TO THE POINT WHERE DOMESTIC SOURCES BECOME COMPETITIVE.

WE DO NOT FEEL THAT IT IS THE INTENT OF CONGRESS TO DISCOURAGE COMPETITION OR INVENTIVENESS ON THE PART OF DOMESTIC INDUSTRIES BY SUCH LEGISLATION.

THE QUOTAS COVERING IMPORTED SPECIALTY STEELS WILL BE LIFTED THIS MONTH. THERE WILL NO LONGER BE ANY RESTRICTION ON THE AMOUNT OR TYPE OF THESE MATERIALS THAT CAN COMPETE IN OUR DOMESTIC MARKETPLACE. BETHLEHEM, LIKE OTHER SPECIALTY PRODUCERS, WILL STRIVE AND INVEST AND EMPLOY WORKERS TO OFFER OUR CUSTOMERS QUALITY AND RELIABILITY IN THE FACE OF THAT COMPETITION.

I HOPE THAT THE CONGRESS WILL NOT DEPRIVE THE DOMESTIC SPECIALTY STEEL INDUSTRY OF AN OPPORTUNITY TO COMPETE WITH FOREIGN STEEL BY APPROVING FURTHER ACTION ON HR 2535.

YOUR INTEREST IN AND CONSIDERATION OF OUR VIEWPOINT IS GREATLY APPRECIATED. THANK YOU.

Mr. Buchman?

STATEMENT OF ALEX BUCHMAN, PRESIDENT, BARCLAY HOME PRODUCTS AND VICE PRESIDENT FEATHER & DOWN ASSOCIATION, INC.

Mr. BUCHMAN. Mr. Chairman and members of the committee, my name is Alex Buchman. I am president of Barclay Home Products in New York City and am appearing today on behalf of the Feather & Down Association. I am accompanied by Ben Ludin of York Feather & Down Corp. I would like my complete written statement included in the record.

In 1974, Congress passed legislation suspending the rate of duty applicable to crude feathers and downs. That legislation expired on June 30, 1979. Consequently, immediate action by this committee is necessary to continue this suspension that corrects an anomaly in our tariff law that discriminates against American companies by making it cheaper to manufacture outside the United States.

On behalf of the association, I urge the immediate continuation of the suspension in the rate of duty. This action will permit the members of the association and their customers to compete effectively against imported products that contain foreign processed feathers and downs.

Our association urges that the Finance Committee and the Senate take immediate action to continue the suspension of duty that has expired. We strongly support H.R. 2492 as reported by the Ways and Means Committee and currently awaiting full House consideration.

That bill contains two crucial parts: One, it continues the suspension of duty until June 30, 1984, and two, it includes a provision that allows a refund of duty paid in the interim between June 30, 1979, and enactment of the continuation.

The association also strongly supports legislation—S. 1531—introduced almost 1 year ago by my Senator, Senator Moynihan. A great number of the association members are from New York and greatly appreciate the interest the Senator has shown in this issue. These member companies employ thousands of persons.

It should be noted that the association also has members or member operations in Senator Talmadge's State, Senator Bentsen's State, and Senator Bradley's State. Senator Moynihan's bill continues the suspension of duty and while it does not contain the technical refund language of H.R. 2492 as reported, it is our understanding that Senator Moynihan desires his legislation to be effective for periods beginning after June 30, 1979, the date the suspension expired. The administration has no objection to the continuation of the suspension.

All the unions and associations of our industry support our position. The United States must import about 80 percent of its total demand for waterfowl feather and down. The primary suppliers are Eastern and Western Europe and China.

Waterfowl feathers and downs are used in pillows, comforters, sleeping bags, and outerwear garments such as parkas and skiing jackets and coats.

The members of the association import and produce most of the waterfowl feathers and downs brought into and produced in this

country. They also manufacture the vast majority of the feather and down pillows and comforters sold in this country and sell processed feathers and downs to manufacturers of other finished down products.

There are many reasons why the suspension of duty must be continued: One, the imposition of a duty significantly increases the probability of "layoffs" among processing and production employees, the vast majority—approximately 95 percent—of whom are lower income, minority groups working in high unemployment areas.

Two, the current legislation situation has caused tremendous confusion in business planning affecting processors, manufacturers and retailers. It has been traditional practice, based on the original 1974 legislation to quote prices for goods, make purchase commitments and publish catalogs far in advance.

This can no longer be done because of this hiatus.

The immediate continuation of the duty suspension would lessen inflation by making unnecessary the higher cost adjustments at every phase of the manufacturing and retailing process.

The 1974 legislation encouraged expansion of facilities and greater exports, thereby expanding the work force and helping the balance of payments.

A low duty on feathers and downs lessens the American energy problem and enhances our national defense. The suspension corrects an anomaly in the tariff law.

Prior to the 1974 suspension, raw products were subject to a much higher duty than unfinished items made with feathers and downs and this currently is the case. The duty structure discriminates against American processors and manufacturers.

Without continuation of the suspension of duty, American companies will give serious consideration to establishing processing plants overseas. In addition, China now uses their processed feathers and downs to manufacture and export finished products.

The suspension of duty on feathers and downs has not adversely affected domestic producers of waterfowl feathers and down. In summary, the current law of suspension is due to expire in June 1979. For reasons I stated, the suspension should be continued.

We strongly support legislation that would continue the suspension of duty retroactive to June 30, 1979.

Thank you, Mr. Chairman, for your attention and support.

Senator RIBICOFF. Thank you very much. I understand the problem.

[The prepared statement of Mr. Buchman follows:]

STATEMENT OF ALEX BUCHMAN
ON BEHALF OF THE FEATHER & DOWN ASSOCIATION
BEFORE THE COMMITTEE ON FINANCE
UNITED STATES SENATE
FEBRUARY 5, 1980

SUMMARY OF TESTIMONY

The following is a brief summary of the testimony of Alex Buchman, President, Barclay Home Products, New York, New York, on behalf of the Feather & Down Association, Inc. concerning the continuation of the suspension in the rate of duty applicable to crude feathers and downs:

In 1974, to correct an anomaly in our tariff laws that assessed component parts at a higher duty than finished products, Congress enacted legislation suspending the rate of duty applicable to crude feathers and downs. That legislation expired on June 30, 1979. The Feather & Down Association urges the Congress to promptly enact a simple continuation of this suspension to be effective July 1, 1979.

Mr. Chairman, members of the Committee, my name is Alex Buchman. I am President of Barclay Home Products in New York City and am appearing today on behalf of the Feather and Down Association.

→ In 1974, Congress passed legislation suspending the rate of duty applicable to crude feathers and downs. That legislation expired on June 30, 1979. Consequently, immediate action by this Committee is necessary to continue this suspension that corrects an anomaly in our tariff law that discriminated against American companies by making it cheaper to manufacture outside the U.S. On behalf of the Association, I urge the continuation of the suspension in the rate of duty. This action will permit the members of the Association and their customers to compete effectively against imported products that contain foreign processed feathers and downs.

Our Association urges that the Finance Committee and the Senate take immediate action to continue the suspension of duty that has expired. We strongly support H.R. 2492 as reported by the Ways & Means Committee and currently awaiting full House consideration. That bill contains two crucial parts: (1) it continues the suspension of duty until June 30, 1984 and (2) it includes a provision that allows a refund of duty paid in the interim between June 30, 1979 and enactment of the continuation.

The Association also strongly supports legislation (S. 1531) introduced almost one year ago by my Senator, Senator Moynihan. A great number of the Association members are from New York and greatly appreciate the interest the Senator has shown in this

issue. These member companies employ hundreds of persons. It should be noted that the Association also has members or member operations in Senator Talmadge's state, Senator Bentsen's state, and Senator Bradley's state. Senator Moynihan's bill continues the suspension of duty and while it does not contain the technical refund language of H.R. 2492 as reported, it is our understanding that Senator Moynihan desires his legislation to be effective for periods beginning after June 30, 1979, the date the suspension expired. The Administration has no objection to the continuation of the suspension. (1)

This urgent problem concerns only waterfowl feathers and downs, that is, ducks and geese. The United States is far from self-sufficient in waterfowl feathers and downs and must import about 80% of total demand, the primary suppliers being Eastern and Western Europe and China. Only about 20% is produced domestically by those who grow ducks and geese for meat.

Waterfowl feathers and downs are ideal for the manufacture of products such as pillows, comforters, sleeping bags, and outerwear garments such as parkas and skiing jackets. Chicken feathers, which are produced in huge quantities in this country, are far less suitable for such purposes.

The members of the Association import most of the waterfowl feathers and downs brought into this country. They also process virtually all of the imported and domestic waterfowl feathers and downs utilized in the United States. In addition to processing, the members of the Association manufacture the vast majority of the feather and down pillows and comforters sold in this country.

They also sell processed feathers and downs to manufacturers of such products as sleeping bags and outerwear garments.

There are many reasons why the suspension of duty must be continued: (1) The imposition of a duty significantly increases the probability of "layoffs" among processing and production employees, the vast majority (approximately 95%) of whom are lower income, minority groups working in high unemployment areas. (2) Basically, this disruption of a stable workforce would be caused by "cash flow" problems resulting from the duty. The duty cannot be covered from operating revenues; consequently, feather and down processors must borrow at interest rates above the prime rate or finance from working capital. Either course of action leads to probable layoffs in the minority work force. (2) The current legislation situation has caused tremendous confusion in business planning. It is the traditional practice, based on the original 1974 duty suspension legislation, to quote prices for goods and make purchase commitments far in advance. This tradition which leads to stable employment practices on a year around basis, can no longer be followed by the processors. Of course, retailers of goods also suffer from the disruption because they are also unable to price their goods, publish catalogues, etc. (3) The temporary imposition of a duty worsens the problems of inflation. The immediate continuation of the duty suspension would lessen inflation by making unnecessary the higher cost adjustments at every phase of the manufacturing and retailing process. (4) The 1974 legislation encouraged expansion of facilities and greater exports, thereby expanding the workforce. While immediate

legislation action will diminish the probability of "layoffs", it should also create employment opportunities among these minority workers in high unemployment areas. (5) A low duty on feathers and downs lessens America's energy problem. A low duty assures that down filled products are more competitive with polyester (a petroleum product) filled products. In addition, use of down filled articles, such as comforters, in the home allows the home to be kept at the President's suggested 65°.

To understand the need for immediate action to continue the suspension in the rate of duty, it is also useful to discuss the situation prior to the 1974 legislation. Prior to that legislation feathers and downs were subject to a 15% duty. However, finished items made with waterfowl feathers and downs (such as pillows, comforters, sleeping bags, and outerwear garments) were separately classified in the tariff schedules. The duty on these finished items was significantly lower than the 15% duty on feathers and downs. Even after the recent Presidential action lowering the duty on some imported feathers and downs, the duty on finished products is lower. For example, the duty on comforters (6%) and outerwear garments (4.7%) is substantially lower than the duty on feathers and downs (7.5%).

The anomaly under prior and current law is clear; the rate of duty on the component parts was and is substantially higher than duty on the finished product of a sleeping bag or outerwear garment. As the administrative agencies' reports and the legislative history enacting the original suspension recognized, "domestic manufacturers of sleeping bags and outerwear garments

are placed in the position of competing against foreign suppliers of finished products who pay about 1/2 the duty rate imposed on feathers and downs. This duty structure therefore encourages U.S. imports of manufactured articles. Thus there is a built-in incentive for U.S. manufacturers to establish facilities abroad." House Report 93-993. Further, the law prior to the 1974 suspension was unusual in that Congress has generally provided that the duty on finished articles is higher than the duty on component parts. Unless the suspension is enacted, this anomaly of past and current law will continue.

Further, the Association knows of substantial new investment abroad in plants designed to process waterfowl feathers and downs and to use them in the manufacture of finished products. Without a continuation of the suspension of duty, American companies will give serious consideration to establishing processing plants overseas. In addition, it is probable that the Russians and Chinese will use their processed feathers and downs to manufacture and export finished products. Without timely Congressional action to continue the suspension of duty these foreign processing plants will have a distinct advantage in fulfilling the domestic and foreign markets now enjoyed by U.S. processors.

The suspension of duty on crude feathers and downs has encouraged the export of processed feathers and downs and American made sleeping bags and outerwear garments. I.e., the duty free treatment of raw materials makes it easier to compete overseas. A continuation of the suspension would allow the export potential of American manufacturers to be fulfilled and create an expansion of

employment opportunity. This, of course, improves the American balance of payments.

Finally, the current law suspension of duty on crude feathers and downs has not adversely affected domestic producers of waterfowl feathers and downs. The approximately 200 domestic suppliers raise birds primarily for meat and due to expanding demand for outerwear garments, the suspension of duty has little effect on them. American producers are currently exporting feathers and downs.

In summary, the current law suspension of duties expired on June 30, 1979. Unless this Committee and the Senate takes prompt action to simply continue the suspension, the curious anomaly evidenced in old law would again be present, employment opportunity will be diminished, business practices will be disrupted, inflationary trends will be encouraged, foreign manufacturers will gain an increasing dominance in the market, domestic manufacturers will be encouraged to establish facilities abroad with the comensurate loss of American jobs, and the export potential of American companies would be severely jeopardized at the time we need help with our balance of payments.

We strongly support legislation that would continue the suspension of duty retroactive to June 30, 1979 and once again thank Senator Moynihan for his assistance.

Thank you Mr. Chairman and members of the Committee for your attention and support.

Mr. Berkman.

**STATEMENT OF IRVING J. BERKMAN, PRESIDENT, WYCKOFF
STEEL DIVISION, AMPCO-PITTSBURGH CORP.**

Mr. BERKMAN. Mr. Chairman, I am accompanied by Mr. Murray Belman, counsel for the Cold Finished Steel Bar Institute.

Thank you, Mr. Chairman, for this opportunity to address the committee. My name is Irving J. Berkman and I am president of Wyckoff Steel Division of Ampco-Pittsburgh Corp. I am also a member of the executive board of the Cold Finished Steel Bar Institute.

I am here today to speak in support of S. 1275, a bill to correct the present misclassification of cold finished steel bar imports.

Cold finished steel bars are made by taking hot rolled steel bars or rods and drawing them through a carbide die. This process increases the strength of the product and supplies a smooth surface and close dimensional tolerance.

The uses of cold finished bars require extremely high standards of straightness. To preserve this straightness and the smooth surface and dimensional accuracy of the cold finished bar, it is sold in cut lengths and carefully protected in storage and in shipping.

Wire is also a drawn product, but it is produced at much higher speeds and has a lower degree of dimensional accuracy. Wire is used for products where straightness is not required.

For these reasons, wire is invariably sold in coiled form which is cheaper and easier to produce and ship.

The Tariff Schedules of the United States do not adequately differentiate between cold finished bars and wire. Instead, any drawn product up to a diameter of 0.703 inch is considered wire, whether it is in coil form or cut to length.

Conversely, a product can only be considered a cold finished bar if it is over 0.703 inch in diameter.

In effect, the tariff schedules have not recognized that cold finished bars can be produced with a diameter of 0.703 inch or less. Yet, such products account for a substantial portion of the American market.

Some 20 to 30 percent of total cold finished bar imports each year are incorrectly counted as wire because of this classification anomaly. S. 1275 would cure this problem by limiting the definition of wire to products in coil form. It would thereby insure that smaller diameter cold finished bars are properly classified.

Other Government entities have already corrected the anomaly. The Commerce Department has modified export schedule B so definition of wire is limited to coil products.

We understand that the International Trade Commission staff has favorably considered this proposed change in tariff nomenclature. In addition, the International Customs Cooperation Council, the European communities, and the Government of Japan have proposed similar limitations to the definition of wire in the Brussels Tariff Nomenclature. The proposal has been endorsed by the American Iron and Steel Institute.

Finally, the House adopted the legislation last fall.

The administration has opposed this legislation. They do not dispute that cold finished bar imports are being improperly classified but they do not wish to see any duty changes.

We do not believe that their position is a compelling one since S. 1275 is aimed at closing a loophole that is acknowledged by all objective observers. Moreover, since the higher duty in question has not prevented record import in recent years, it would not significantly impact existing trade.

However, in the spirit of compromise, our industry accepted an amendment in the House that would result in no net duty impact until 1982, thereby giving the executive branch time to discuss the matter with our trading partners.

Thank you, Mr. Chairman. I should be happy to answer any questions you may have for me.

Senator RIBICOFF. I think we understand the situation, Mr. Berkman. Thank you very much.

[The prepared statements of Mr. Berkman follows. Oral testimony continues on p. 207.]

STATEMENT OF
IRVING J. BERKMAN
TO THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE
SENATE FINANCE COMMITTEE
FEBRUARY 5, 1980

Mr. Chairman, my name is Irving J. Berkman. I am President of Wyckoff Steel Company of Pittsburgh, Pennsylvania. I am also a member of the Executive Board of the Cold Finished Steel Bar Institute, an association of 29 North American producers of cold finished steel bars. In addition, ten integrated mills, two of which produce cold finished bars, are associate members of our Institute. (A list of members and associate members is found as Attachment 1.)

The American Cold Finished Bar Industry

In the United States, the greatest share of cold finished bars are made by relatively small, nonintegrated companies, often family owned. Member companies of the Cold Finished Steel Bar Institute have plants in fifteen states. About 12,000 American workers are directly employed in the production of cold finished bars, and about another 12,000 produce the raw material from which cold finished bars are made.

The Characteristics and Uses of Cold Finished Bars and Wire

Cold finished bars are made from hot rolled bar and rod. These raw materials are first treated to remove their heavy surface scale; then they are drawn through a carbide die. This process increases the strength of the product, provides a smooth surface and creates very close dimensional tolerances. For example, one inch round cold finished bars are customarily made to a tolerance of plus zero and minus one or two thousandths of an inch.

Cold finished bars are used principally as shafting in motors and transmissions and as a feedstock for the production of screw machine products. Both uses require extremely high standards of straightness to reduce vibration and undue parts wear. Consequently, cold finished bars are ordinarily made with less than a 1/8 inch curvature over any ten foot portion of a bar's total length.

In order to preserve the surface finish, size tolerance and straightness of cold finished bars, they are invariably sold in cut lengths and are carefully protected in storage and shipment.

Wire is also a drawn product, but it is produced at much higher speeds than cold finished bars. Consequently, it is made to significantly wider dimensional tolerances. Wire is made into a great variety of products like coat hangars, fasteners, fencing, and springs. But it is very

rare that an end use of wire will require the straightness or close tolerance of a cold finished bar. For these reasons, wire is invariably sold in coiled form, which is easier and cheaper to produce and ship.

The Present Anomaly in the Tariff Schedules

The Tariff Schedules of the United States define "wire" as a drawn product not over 0.703 inch in diameter.^{1/} "Bars", including cold finished bars, are defined as products of solid section not conforming to the definitions for other specified products, including "wire".^{2/} Thus, the definition of "wire" takes precedence over that of "bar". Since the definition of wire includes any drawn product up to .703 inch in diameter, whether in coiled form or cut to length, cold

 The full definition is:

A finished, drawn, non-tubular product, of any cross-sectional configuration, in coils or cut-to-length, and not over 0.703 inch in maximum cross-sectional dimension. The term also includes a product of solid rectangular cross section, in coils or cut-to-length, with a cold-rolled finish, and not over 0.25 inch thick and not over 0.50 inch wide. [Schedule 6, part 2, subpart B, headnote 3(i)]

2/ The full definition is:

Products of solid section not conforming completely to the respective specifications set forth herein for blooms, billets, slabs, sheet bars, wire rods, plates, sheets, strip, wire, rails, joint bars, or tie plates, and which have cross sections in the shape of circles, segments of circles, ovals, triangles, rectangles, hexagons, or octagons. [Schedule 6, part 2, subpart B, headnote 3(d)]

finished bar imports now fall into this category. Only products over .703 inch can be considered to be cold finished bars.

The result is that the Tariff Schedules do not recognize the existence of cold finished bars below .703 inch. Yet such products account for a substantial portion of the American market. Many companies produce cold finished bars with diameters as small as 1/8 inch. We estimate that at least 20% of domestic production of cold finished bars are at .703 inch or less in diameter.

In 1972, the Cold Finished Steel Bar Institute sought to determine what percentage of imports were being incorrectly classified as wire. Working with the government's Committee for Statistical Annotation of Tariff Schedules, we developed statistical breakouts within the wire categories to determine the amount of cut-to-length product that was being entered as "wire". These breakouts, which were established on January 1, 1973,^{3/} show that between 20-30% of our cold finished bar imports are now being improperly classified as "wire". (The statistics are appended as Attachment 2.)

Support For the Proposed Change of Definitions

When we learned of the large amount of cold finished bar being misclassified as wire, we discussed

^{3/} TSUS items 609.4105, 609.4305 and 609.7005.

the problem with U.S. Government agencies responsible for these matters. During 1976, we provided substantial information on the matter to the Department of Commerce, the International Trade Commission, and the Customs Service. As a result, the Commerce Department changed its Export Schedule B on January 1, 1978 to limit the definition of "wire" to coiled products.^{4/} In addition, the ITC staff agreed to propose the revised definition in draft technical amendments aimed at harmonizing import definitions with those used in export, domestic production and international trade classifications. Due to the press of other business related to the Multilateral Trade Negotiations, the ITC was, unfortunately unable to go forward with this proposed legislation.

Internationally, the same proposal has been made independently by other governments and organizations. For example, the Common Market has proposed limiting the definition of "wire" to products in "wound coils, rolls

^{4/} The new definition is:

A finished, drawn, non-tubular product, of any cross-sectional configuration, in coils and not over 0.703 inch in maximum cross-sectional dimension. The term also includes a product of solid rectangular cross section, in coils with a cold-rolled finish, and not over 0.25 inch thick and not over 0.50 inch wide. [Schedule 6, part 2, subpart B, headnote 3(h)]

Before January 1, 1978 "wire" had been defined as a product in coil or cut-to-length form.

or reels."^{5/} The Government of Japan has endorsed this approach, and the international Customs Cooperation Council has proposed a simple definition of wire: "Cold-drawn products, of any cross-sectional shape, in coil form."^{6/} The American Iron and Steel Institute has proposed a similar definition for wire:

A finished, drawn, non-tubular product of any cross-sectional configuration, in coils only, not over 25 mm (.999 inch) in maximum cross-sectional dimension. ^{7/}

Proposed Modification of Tariff Schedules

Enactment of S. 1275 would cure the present misclassification of smaller diameter cold finished bars by deleting the words "or cut-to-length" in the present definition of wire. Thereafter, only products imported in coil form would be considered to be "wire". Drawn products in cut-to-length form would be correctly classified as cold finished bars without regard to their dimension.

^{5/} Customs Cooperation Council, Harmonized Commodity Description and Coding System, Chapter 72: Pig Iron, Iron and Steel, Doc. 24.240 E, Sept. 25, 1978, App. p. 6. (See Attachment 3.)

^{6/} Ibid., p. 23, emphasis added. (See Attachment 4.)

^{7/} Attachment dated November 15, 1976 to letter dated November 19, 1976 from E. S. Florikoski, Jr. to Mr. Eugene Rosengarden, USITC, p. 7, emphasis added. (See Attachment 5.)

The Administration opposed H.R. 4309, a companion bill to S. 1275, when it was considered by the Ways and Means Committee. While they recognized that a tariff classification problem exists and were willing to support legislation to remedy that situation, they opposed any duty increase. They also argued that such an increase should be subject to negotiation with supplying countries before it is implemented.

We believe that those objections are not compelling. First, S. 1275 is simply aimed at closing what all sides acknowledge to be a loophole. It is not an increase in protection so much as an end to an improper denial of protection. Moreover, the increase in duty would only bring the newly reclassified products up to the level of other cold finished bar. Since the higher duty has not prevented record imports in recent years, we do not believe that the equalization would significantly impact existing trade.

Nonetheless, in the spirit of compromise, our industry accepted an amendment to H.R. 4309 that would limit the immediate duty increase on reclassified (smaller diameter) product and would reduce the present duty larger diameter product. The result would be that there would be no net duty increase until January 1, 1982. This delay would give the Executive Branch ample time to notify our

trading partners and discuss the matter with them.

Mr. Chairman, this proposal would cure an obviously faulty definition in our Tariff Schedules. The correct approach has been recognized in our own government and by those of the principal countries supplying steel to the United States. It has been endorsed by an objective international organization of experts in customs matters and by the American Iron and Steel Institute. It has been adopted by the House. We respectfully urge that your Committee give it prompt consideration and endorsement.

THE COLD FINISHED STEEL BAR INSTITUTE

MEMBERS

ALABAMA METAL INDUSTRIES CORPORATION
Greenville, South Carolina

AMERICAN DRAWN STEEL CORPORATION
Allison Park, Pennsylvania

ATLAS STEELS
Welland, Ontario, Canada

BARON DRAWN STEEL CORPORATION
Toledo, Ohio

BLISS & LAUGHLIN INDUSTRIES, INC.
Oak Brook, Illinois

COREY STEEL COMPANY
Chicago, Illinois

CUMBERLAND STEEL COMPANY
Cumberland, Maryland

FITZSIMONS STEEL COMPANY, INC.
Youngstown, Ohio

GEMINI METALS CORPORATION
Elk Grove, Illinois

GENERAL STEEL & WIRE CO., INC.
Lynwood, California

J. HARRIS & SONS LIMITED
Stoney Creek, Ontario, Canada

HERCULES DRAWN STEEL CORPORATION
Toledo, Ohio

HOOVER UNIVERSAL
Solon, Ohio

INTERCONTINENTAL STEEL CORPORATION
South Holland, Illinois

JERSEY COLD DRAWN STEEL COMPANY
Woodbridge, New Jersey

KRUEGER AND COMPANY
Elmhurst, Illinois

LASALLE STEEL COMPANY
Chicago, Illinois

LMP STEEL & WIRE COMPANY
Maryville, Missouri

MOLTRUP STEEL PRODUCTS COMPANY
Beaver Falls, Pennsylvania

NELSEN STEEL & WIRE COMPANY
Franklin Park, Illinois

PRECISION-KIDD STEEL COMPANY
Aliquippa, Pennsylvania

RAMCO STEEL INC.
Buffalo, New York

ST. LOUIS COLD DRAWN, INC.
St. Louis Missouri

SAUK STEEL COMPANY, INC.
Chicago Heights, Illinois

SUPERIOR DRAWN STEEL COMPANY
Monaca, Pennsylvania

TELEDYNE COLUMBIA-SUMMERELL
Pittsburgh, Pennsylvania

UNIVERSAL METAL SERVICE CORPORATION
South Holland, Illinois

WESTERN COLD DRAWN STEEL
Elyria, Ohio

WYCKOFF STEEL DIVISION
Pittsburgh, Pennsylvania

COLD FINISHED STEEL BAR IMPORTS
CLASSIFIED AS "WIRE"

<u>YEAR</u>	<u>TONS</u>	<u>PERCENTAGE OF TOTAL IMPORTS</u>
1973	39,000	22%
1974	39,000	29%
1975	20,000	21%
1976	25,000	23%
1977	46,000	26%
1978	48,000	21%

Excerpt from Customs Co-Operation Council, Harmonized Commodity Description and Coding System; Chapter 72: Pig Iron, Iron and Steel, Doc. 24.240 E, Sept. 25, 1978, p. 23:

Heading 72.21 - Wire of iron or non alloy ordinary steel . . .

71. The [European Economic Community] has proposed the following definition for wire:

"Cold-drawn products, of any solid cross-sectional shape, in regularly or irregularly wound coils, rolls or reels."

The present 13 mm limit for wire has been deleted and a clause relating to coils, rolls or reels has been added. Thus, under this definition wire differs from cold-drawn bars and rods only in that the former is presented in coils, whereas the latter are not in coils.

72. This proposal conforms with views expressed by the Japanese Administration that a demarcation line based on a cross-sectional dimension seems irrelevant in the light of actual commercial practice. The Japanese Administration has also stated that, with the development of wire-drawing technique, cold-drawn wire, in coils, with a cross-sectional dimension exceeding 13 mm is now produced without difficulty. Indeed, the definition proposed by the United States includes a dimensional criterion of 25 mm, but includes also a provision for the inclusion of such cold-drawn products presented other than in coils with a minimum length criterion of 215 mm.

73. The Technical Team would certainly recommend, for the purpose of the CCC Nomenclature, the adoption of a definition which avoids arbitrary dimensional criteria. Referring, however, to the [EEC] definition at paragraph 71 above, the Technical Team suggests that the words "regularly or irregularly wound" add nothing to the precision of the text and that reference to "coils, rolls or reels" might be unintentionally limitative. The following alternative is proposed:

"Cold-drawn products, of any solid cross-sectional shape, in coiled form."

Excerpt from Proposals Submitted by Members of the European Communities; Pig Iron, Iron and Steel, Appendix to CCC Doc. 24.240, Sept. 25, 1978, p. App. 6:

- (w) Wire (headings Nos. 72.28, 72.48, 72.68 and 72.88):

Cold-drawn products, of any solid cross-sectional shape, in regularly or irregularly wound coils, rolls or reels (see also Note 3 to Chapter 73).

Excerpt from American Iron and Steel Institute, Proposed Revised Brussels Tariff Nomenclature for Pig Iron and Steel Mill Products, attachment to letter dated November 19, 1976 From E. S. Florkoski, Jr. to E. Rosengarden (U.S.I.T.C.), p. 7:

Wire

A finished, drawn, non-tubular product of any cross-sectional configuration, in coils only, not over 25 mm (.999 in.) in maximum cross-sectional dimension.

Senator RIBICOFF. S. 1851. Mr. Bowland, Mr. Felando, and Mr. Lasea.

STATEMENT OF JACK BOWLAND, UNITED STATES TUNA FOUNDATION

Mr. BOWLAND. Good morning, Mr. Chairman. I am Jack Bowland from the United States Tuna Foundation.

On my left is Mr. August Felando, president of the American Tuna Boat Association; on my right, Capt. Joe Medina, president of the United States Tuna Foundation from San Diego.

We are here in support of S. 1851. We have submitted written testimony to the committee which we would like incorporated into the record and we would like to state that, in our written testimony, you will find two amendments that we would like to have incorporated into S. 1851.

Those amendments are a result of long discussions and compromise with the domestic net manufacturers. I would like to apologize for Mr. Burney, who was originally scheduled to testify this morning, but he is ill and was unable to appear—if you have any questions on our behalf, I would like them to be directed either to Mr. Felando or Mr. Medina.

Senator RIBICOFF. I think we understand the situation. If anybody would like to add a comment, you still have a few minutes to do so.

Mr. FELANDO. Yes. I am August Felando, president of the American Tuna Boat Association located in San Diego. There are 130 U.S.-flag vessels engaged in catching tuna with nets. A hundred of them are represented by the association.

This legislation, this proposed bill, came about as a result of the Panama Canal Treaty. This is to let the committee know, and you, Mr. Chairman, that our membership supports the compromise modification that has been worked out.

Thank you very much.

Senator RIBICOFF. You are trying to be placed in the same position that you were in before the treaty?

Mr. FALLANDO. That is correct. Recognizing that this would be for a limited period of time.

Senator RIBICOFF. We understand the problem. Thank you gentlemen for coming.

Yes, sir.

[The prepared statement of Mr. Burney follows:]

Statement of David G. Burney
Counsel for United States Tuna Foundation
Before the
Senate Subcommittee on International Trade
February 5, 1980

Mr. Chairman and members of the Senate Subcommittee on International Trade:

On behalf of the United States tuna industry, I welcome this opportunity to testify in support of S. 1851, a bill which would amend the Tariff Act of 1930 to continue the duty-free status of repair parts, materials, and equipments purchased and repairs made in Panama for vessels documented under the laws of the United States.

The United States Tuna Foundation was formed in May 1977, and its membership comprises all segments of the United States tuna industry. Membership includes all tuna processors, tuna vessel owners and operators, and the labor force which works on board tuna vessels and in tuna processing facilities.

In introducing S. 1851 Senator Allan Cranston stated that, "S. 1851 is a straightforward attempt to resolve what I believe to be a prohibitive situation for our tuna industry---a situation that has occurred unwittingly through passage of the Panama Canal implementation legislation". Needless to say we agree with Senator Cranston's statement.

As background it is important to note that prior to October 1, 1979, vessels documented under United States law were permitted to purchase equipment and initiate repairs in the Panama Canal Zone without payment of the 50 percent duty imposed by the Tariff Act of 1930. As a result of passage of the Panama Canal implementation legislation on October 1, 1979, the duty-free status of the Canal Zone was terminated.

The Canal Zone is extremely important to the United States high seas tuna fleet because of its adjacency to the historical tuna fishing grounds located in the Eastern Tropical Pacific Ocean. Most tuna net installation and repair takes place in the Canal Zone since additional fuel costs for travel to ports located in the United States would be prohibitive. In addition, netting manufactured in the Canal Zone has been the only netting available which meets the requirements of the Marine Mammal Protection Act.

Recently representatives of the United States tuna industry met with representatives of the domestic net manufacturers in an effort to explain their concern over the transfer of the Canal Zone to Panama. Assurances were given by the domestic net manufacturers that they were capable of producing a purse seine net which would meet the MMPA specifications and be of comparable quality to netting presently utilized by the international tuna fleet. While expressing confidence in their ability to manufacture an acceptable purse seine net, the domestic net manufacturers admitted that some "at sea" testing was necessary. Representatives of the tuna industry agreed to place domestically produced webbing in U.S. tuna nets in order to compare the webbing with that presently being utilized.

As a result of the meetings between the tuna industry representatives and the domestic net manufacturers, the parties agreed that a 27 months continuance of the duty-free status of the Canal Zone would permit the domestic net manufacturers to "gear up" to meet the total needs of the United States tuna fleet. This agreement

was reached with full realization of the fact that to remain competitive in the international tuna fishery, the U.S. tuna fleet must be permitted to purchase netting in the Canal Zone without fear of a 50 percent tariff retribution. Since tuna nets cost upwards of \$200,000, a 50 percent add-on would be substantial.

The United States tuna industry presently has 22 vessels under construction or contracted for construction. Because of the untimely transfer of the Canal Zone, these vessels face the dubious distinction of having to pay a 50 percent tariff on the purchase of their nets. Many of these vessels contracted for the purchase of their webbing from the Canal Zone long before October 1, 1979. Something should be done to insure that these vessels are not penalized unnecessarily. It was certainly never the intent of those who supported transfer of the Panama Canal to penalize our last distant water fishing fleet.

It is the position of the United States tuna industry that until such time that the domestic net manufacturers can demonstrate an ability to produce netting of comparable quality to webbing now used by the international tuna fleet, and in addition be prepared to supply the total needs of the U.S. tuna fleet, the 50 percent duty should not be imposed. We are convinced that the domestic net manufacturers are making a genuine effort to produce acceptable webbing, and with proper time lag, will be in a position to supply the total needs of the United States tuna fleet. We therefore support a limited exemption from the Tariff Act of 1930.

After considerable discussion with representatives of domestic net manufacturers, we have agreed that S. 1851 should be amended to read as follows:

To amend the Tariff Act of 1930 by creating until December 31, 1981, a duty-free status for repair parts, materials, and equipments purchased in Panama for, and repairs made in Panama to, vessels documented under the laws of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that Section 466 of the Trade Act of 1930 (19 U.S.C. 1466) is amended by adding at the end thereof, the following new subsection:

"(g) The duty imposed under subsection (a) shall not apply to the cost of repair parts, materials, and equipments (including fish nets and netting) purchased in Panama or to the cost of repairs made in Panama, during the period commencing October 1, 1979, and ending December 31, 1981".

We would appreciate anything you and your subcommittee can do to help expedite final passage of S. 1851, as amended. During the limited period of exemption from the Tariff Act of 1930, the United States tuna industry will continue to work closely with the domestic net manufacturers to insure that the quality and quantity of netting necessary to sustain the future of our last distant water fishing fleet will be available on January 1, 1982. Thank you for your consideration.

STATEMENT OF HOWARD C. LOSEA, PRESIDENT, BROWNELL NET CO. ON BEHALF OF THE AMERICAN NETTING MANUFACTURERS ORGANIZATION, ACCOMPANIED BY WILLIAM K. INCE, ESQ., WILLIAMS & KING

Mr. LOSEA. My name is Howard Losea, president, Brownell Net Co., of Connecticut. I have a short statement.

I am here on behalf of the American Netting Manufacturers Organization, a group of manufacturers that produce approximately 95 percent of all the fish netting in the United States.

As can be seen by the attached list, our members are scattered throughout the Nation. We are represented in Washington, D.C. by the firm of Williams & King, and Mr. William Ince of that firm is with me today.

I want to thank you for this opportunity to testify with regard to S. 1851, a bill which would amend the Tariff Act of 1930 to, "Continue the present duty-free status of repair parts, materials, and equipment purchased in Panama for, and repairs made in Panama to, vessels documented under the laws of the United States." The true purpose of this bill is to perpetuate an administrative loophole in the law imposing a duty on purchases of foreign goods and services by U.S. vessels in foreign countries. This loophole has been taken advantage of by the U.S. tuna fleet which has for over 10 years been buying Japanese and Taiwanese fish netting in the Panama Canal Zone without paying any duty on such purchases when the vessels return to home port in the United States.

The loophole exists because U.S. Customs has, until recently, considered the Panama Canal Zone not to be a foreign country within the meaning of section 466 of the Tariff Act of 1930, the law imposing a duty on foreign purchases by U.S. vessels. As a result of the loophole, Japanese and Taiwanese fish netting distributors have set up shop in the Panama Canal Zone, and by this means they have over the last 10 years succeeded in capturing virtually the entire U.S. market for tuna netting.

Far Eastern manufacturers of netting have several advantages over U.S. manufacturers, not the least of which are lower labor rates in a labor-intensive industry and integrated production that yields lower raw material costs than ours. The U.S. tariff on imported fish netting has been roughly 45 percent ad valorem equivalent, and, because of the import sensitivity of this industry, was one of the few tariffs not reduced during the Kennedy round of multilateral trade negotiations.

We were unable to again hold out against duty reductions during this latest round of tariff negotiations and the duty is scheduled to be reduced to 17 percent ad valorem in 1989. However, the fact remains that for the time being, at least, the tariff is helpful in offsetting the economic advantages enjoyed by Far Eastern manufacturers.

This has not been the case with trade in tuna netting which, because of the administrative loophole I have just mentioned, is effectively able to completely avoid any duty. As a result, with the exception of a small amount of netting produced for the inshore tuna fleet in southern California, there has been no tuna netting produced by American manufacturers for the last 10 years or more. I might add that the textile quota agreements which have been

negotiated under the multifiber arrangement in the last several years have left completely untouched the trade in tuna netting through Panama because, strictly speaking, this netting is never actually imported into the United States.

Nevertheless, the Panama tuna sales represent a very large segment of total fish netting consumed in this country—by our calculations valued at as much as \$4 million or fully 18 percent of the total U.S. fish netting market, including tuna netting.

The intent of section 466 was to prevent precisely what has been allowed to happen here, namely, an end run around the tariff structure of the United States. Nevertheless, it has been exceedingly difficult to convince U.S. Customs that its failure to recognize purchases in the Panama Canal Zone as subject to the law has frustrated congressional intent.

After many years of discussion with Customs on this matter, the American netting manufacturers were given to believe that the loophole would be closed. A letter from Customs to Senator Maryon Allen on July 24, 1978, indicated that Customs was considering changing its position in regard to the dutiability of vessel repairs and equipment purchases effected in the Panama Canal Zone to provide that such repairs and equipment purchases would be considered as having been made in a foreign country.

This intention was never carried out. In the spring of 1979, Customs informed us that in view of the fact that the Panama Canal Zone would become a foreign country by any definition on October 1 of that year by operation of the Panama Canal Zone Treaty, Customs would not have to make a final decision since the issue would automatically be settled by the change in status of the Canal Zone when it was taken over by the Republic of Panama. October 1, 1979, has come and gone. Presumably Customs has been enforcing section 466 with regard to vessel purchases in the Canal Zone since that date.

Now, S. 1851 seeks to perpetuate the loophole which we have described that has virtually shut American Netting Manufacturers out of the lucrative tuna netting market for many years. Obviously, as presently written the bill is unacceptable to us.

However, we are willing to agree to a reasonable compromise whereby the loophole is allowed to remain in existence for a limited period of time, after which it is finally and irrevocably closed.

We recognized that since the domestic industry has not produced tuna netting to any great extent in recent years because it had no share in the market, we will require some leadtime to manufacture this type of netting in any great quantity.

In addition, the tuna industry informs us that orders for new netting have already been entered with foreign manufacturers for 1980 and 1981. In view of these things, we have reluctantly agreed with the U.S. tuna fleet that S. 1851 could be modified so as to provide a limited period of time within which duty-free purchases of netting by the tuna fleet could continue in Panama. While we believe that we will be able to supply a good portion of the tuna fleet's requirements for netting within a matter of months, after much negotiation we have agreed to a longer period on the understanding that there will be no extension of this period for any reason.

Accordingly, we offer an amended version of S. 1851 that can be supported by the U.S. tuna fleet and the American Netting Manufacturers Organization as follows:

To amend the Tariff Act of 1930 by creating until December 31, 1981, a duty-free status for repair parts, materials, and equipments purchased in Panama for, and repairs made in Panama to, vessels documented under the laws of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 466 of the Tariff Act of 1930 is amended by adding at the end thereof the following new subsection:

(g) The duty imposed under subsection (a) shall not apply to the cost of repair parts, materials, and equipments (including fish nets and netting) purchased in Panama or to the cost of repairs made in Panama, during that period commencing October 1, 1979, and ending December 31, 1981.

During this 2-year period we seek to work closely with the U.S. tuna industry to develop and produce netting in sufficient quantity and of adequate quality to substantially supply the needs of the U.S. tuna fleet. We will make our best efforts in this regard, and we earnestly hope that the U.S. tuna industry will also use its best efforts to the end that both industries can survive and prosper free of any foreign dependency.

With the modification stated above, we can support the bill.

Senator RIBICOFF. How many employees does Brownell have?

Mr. LOSEA. 171 in Moodis.

Senator RIBICOFF. I never saw that plant. I thought I knew every plant in Connecticut. Where is it located?

Mr. LOSEA. Directly in the center of Moodis, on Route 149, down from Jack Banner's place.

Senator RIBICOFF. In other words, you people who are the tuna-fishermen, and they who are the suppliers, have come to an understanding at the present time that the American industry does not supply all of your needs. Is that it?

You want to give them the opportunity to bring their production up to supply your needs so you can buy American instead of buying Japanese?

Mr. FALLANDO. That is right.

Historically, Mr. Chairman, U.S. net manufacturers did supply most of our needs. For some reason, mainly perhaps because of the aggressiveness of the Japanese in the midsixties, this sort of changed.

They, I guess, set up joint ventures in the Canal Zone and became much more competitive and for a long period of time U.S. net manufacturers have not been able to supply the netting that we need, and without that location in the Canal Zone, we would not have been able to compete with the other fishermen in the world today.

Senator RIBICOFF. Let me see. What is the quality of the American netting in comparison with Japanese netting?

Mr. MEDINA. I can answer that.

The main thing was the dye. They had a dye that held up. We buy the nets. They have to last for quite a few years. The American netting did not have the hold and it turned a lighter color and it would fray.

Right now, I might say we are working with American netting. On my vessel right now, we are trying out eight different bales of webbing to come up with the best dye so they can get geared up to where they can manufacture and supply us with the webbing.

Senator Ribicoff. It is very encouraging to know of the cooperation between the American consumer and the American producer for their mutual benefit. Usually everybody is at counterpoint with one another. The fact that you are trying to work this out together is very commendatory for both the consumer and the producer.

Thank you very much, gentlemen.

[The prepared statement of Mr. Losea follows. Oral testimony continues on p. 226.]

BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
COMMITTEE ON FINANCE, U.S. SENATE
S. 1851
STATEMENT OF HOWARD C. LOSEA
PRESIDENT, BROWNELL NET COMPANY
MOODUS, CONNECTICUT
ON BEHALF OF
THE AMERICAN NETTING MANUFACTURERS ORGANIZATION

Washington, D.C.
February 5, 1980

Williams & King
1620 Eye Street, N.W.
Washington, D.C. 20006

Before the
Subcommittee on International Trade
Committee on Finance, U.S. Senate
February 5, 1980

Statement of Howard C. Losea
President, Brownell Net Company
Moodus, Connecticut
On Behalf of

The American Netting Manufacturers Organization

Mr. Chairman and Members of the Senate Subcommittee on
International Trade:

I am here on behalf of the American Netting Manufacturers
Organization, a group of manufacturers who produce approximately
7 95 percent of all fish netting in the United States. As can be
seen by the attached list, our members are scattered throughout
the nation. We are represented in Washington, D.C., by the law
firm of Williams & King, and Mr. William Ince of that firm is with
me today.

I want to thank you for this opportunity to testify with
regard to S. 1851, a bill which would amend the Tariff Act of 1930
to "continue the present duty-free status of repair parts, materials,
and equipment purchased in Panama for, and repairs made in Panama
to, vessels documented under the laws of the United States." The
true purpose of this bill is to perpetuate an administrative loop-
hole in the law imposing a duty on purchases of foreign goods and
services by U.S. vessels in foreign countries. This loophole has
been taken advantage of by the U.S. tuna fleet which has for over
ten years been buying Japanese and Taiwanese fish netting in the

Panama Canal Zone without paying any duty on such purchases when the vessels return to home port in the United States.

The loophole exists because U.S. Customs has, until recently, considered the Panama Canal Zone not to be a "foreign country" within the meaning of Section 466 of the Tariff Act of 1930 (19 U.S.C. 1466), the law imposing a duty on foreign purchases by U.S. vessels. As a result of the loophole Japanese and Taiwanese fish netting distributors have set up shop in the Panama Canal Zone, and by this means they have over the last ten years succeeded in capturing virtually the entire U.S. market for tuna netting.

Far Eastern manufacturers of netting have several advantages over U.S. manufacturers, not the least of which are lower labor rates in a labor-intensive industry and integrated production that yields lower raw material costs than ours. The U.S. tariff on imported fish netting has been roughly 45 percent ad valorem equivalent, and, because of the import sensitivity of this industry, was one of the few tariffs not reduced during the "Kennedy Round" of multilateral trade negotiations. We were unable to again hold out against duty reductions during this latest round of tariff negotiations and the duty is scheduled to be reduced to 17 percent ad valorem in 1989. However, the fact remains that for the time being, at least, the tariff is helpful in offsetting the economic advantages enjoyed by Far Eastern manufacturers.

This has not been the case with trade in tuna netting which, because of the administrative loophole I have just mentioned, is effectively able to completely avoid any duty. As a result, with the exception of a small amount of netting produced for the inshore

tuna fleet in Southern California, there has been no tuna netting produced by American manufacturers for the last ten years or more. I might add that the textile quota agreements which have been negotiated under the Multifiber Arrangement in the last several years have left completely untouched the trade in tuna netting through Panama because, strictly speaking, this netting is never actually imported into the United States. Nevertheless, the Panama tuna sales represent a very large segment of total fish netting consumed in this country--by our calculations valued at as much as \$4 million or fully 18 percent of the total U.S. fish netting market, including tuna netting.

The intent of Section 466 was to prevent precisely what has been allowed to happen here, namely, an "end run" around the tariff structure of the United States. Nevertheless, it has been exceedingly difficult to convince U.S. Customs that its failure to recognize purchases in the Panama Canal Zone as subject to the law has frustrated Congressional intent.

After many years of discussion with Customs on this matter, the American netting manufacturers were given to believe that the loophole would be closed. A letter from Customs to Senator Maryon Allen on July 24, 1978, indicated that Customs was "considering changing its position in regard to the dutiability of vessel repairs and equipment purchases effected in the Panama Canal Zone to provide that such repairs and equipment purchases would be considered as having been made in a foreign country." This intention was never carried out. In the spring of 1979 Customs informed us that in view of the fact that the Panama Canal Zone would become a foreign

country by any definition on October 1 of that year by operation of the Panama Canal Zone Treaty, Customs would not have to make a final decision since the issue would automatically be settled by the change in status of the Canal Zone when it was taken over by the Republic of Panama. October 1, 1979, has come and gone. Presumably Customs has been enforcing Section 466 with regard to vessel purchases in the Canal Zone since that date.

Now, S. 1851 seeks to perpetuate the loophole which we have described that has virtually shut American Netting Manufacturers out of the lucrative tuna netting market for many years. Obviously, as presently written, the bill is unacceptable to us.

However, we are willing to agree to a reasonable compromise whereby the loophole is allowed to remain in existence for a limited period of time, after which it is finally and irrevocably closed.

We recognize that since the domestic industry has not produced tuna netting to any great extent in recent years because it had no share in the market, we will require some lead time to manufacture this type of netting in any great quantity. In addition, the tuna industry informs us that orders for new netting have already been entered with foreign manufacturers for 1980 and 1981. In view of these things, we have reluctantly agreed with the U.S. tuna fleet that S. 1851 could be modified so as to provide a limited period of time within which duty-free purchases of netting by the tuna fleet could continue in Panama. While we believe that we will be able to supply a good portion of the tuna fleet's requirements for netting within a matter of months, after much negotiation we have

agreed to a longer period on the understanding that there will be no extension of this period for any reason. Accordingly we offer an amended version of S. 1851 that can be supported by the U.S. tuna fleet and the American Netting Manufacturers Organization as follows:

To amend the Tariff Act of 1930 by creating until December 31, 1981, a duty-free status for repair parts, materials, and equipments purchased in Panama for, and repairs made in Panama to, vessels documented under the laws of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that Section 466 of the Tariff Act of 1930 (19 U.S.C. 1466) is amended by adding at the end thereof the following new subsection:

"(g) The duty imposed under subsection (a) shall not apply to the cost of repair parts, materials, and equipments (including fish nets and netting) purchased in Panama or to the cost of repairs made in Panama, during the period commencing October 1, 1979, and ending December 31, 1981."

During this two-year period we seek to work closely with the U.S. tuna industry to develop and produce netting in sufficient

quantity and of adequate quality to substantially supply the needs of the U.S. tuna fleet. We will make our best efforts in this regard, and we earnestly hope that the U.S. tuna industry will also use its best efforts to the end that both industries can survive and prosper free of any foreign dependency.

With the modification stated above, we can support this bill.

SUMMARY

Statement of Howard C. Losea
February 5, 1980

S. 1851

1. I am testifying on behalf of the American Netting Manufacturers Organization, whose members produce approximately 95 percent of all U.S. fish netting.
2. We are opposed to S. 1851 as presently written because it will perpetuate a legal loophole that has allowed Far Eastern manufacturers, mainly Japanese, to capture virtually the entire U.S. market for tuna netting.
3. Because of U.S. Customs' interpretation of the law (19 U.S.C. 1466) imposing a duty on foreign purchases by U.S. vessels, over the past ten years the U.S. tuna fishing vessels have been allowed to purchase foreign netting in the Panama Canal Zone, without paying any duty on such netting when they return to home port in the United States.
4. Far Eastern netting manufacturers have the advantages of lower labor rates and integrated production, and U.S. producers need a tariff in order to compete on an equal footing. Section 466 of the Tariff Act of 1930 is designed to prevent avoidance of the U.S. tariff structure on imports by assessing a 50 percent duty on purchases and repairs made by U.S. vessels in foreign countries. When the Canal Zone became part of the Republic of Panama on October 1, 1979, the legal loophole regarding foreign netting producers was closed. S. 1851 seeks to open it again forever. We cannot accept this course of action.
5. The U.S. netting manufacturers have agreed to a compromise with the U.S. Tuna Foundation whereby the duty-free purchases of netting in Panama will be allowed for a limited period of time on the understanding that they will be forever ended after December 31, 1981. This period of time will allow the U.S. netting manufacturers to begin, and increase, their production of tuna netting so that they can adequately supply the requirements of the U.S. tuna industry. Accordingly, we support appropriate language to modify S. 1851 in accordance with the compromise.

ANNO Members

Bayside Net and Twine Company, Inc.
P.O. Box 3160
Brownsville, TX 78520

Blue Mountain Corporation
Blue Mountain, AL 36201

The Brownell Net Company
Moodus, CT 06469

Carron Net Company, Inc.
1623 Seventeenth Street
Two Rivers, WI 54241

FABLOK Mills, Inc.
140 Spring Street
Murray Hill, NJ 07974

First Washington Net Factory, Inc.
P.O. Box 310
Blaine, WA 98230

FNT Industries
927 First Street
Menominee, MI 49858

Hagin Frith & Sons Company
Wyandotte Road
Willow Grove, PA 19090

Harbor Net and Twine Company, Inc.
1010 J Street
Iloquiam, WA 98550

Koring Brothers, Inc.
2050 West 16th Street
Long Beach, CA 90813

Mid Lakes Manufacturing Co.
3300 Rifle Range Road
Knoxville, TN 37918

Northwest Net & Twines, Inc.
1064 East Pole Road
Everson, WA 98247

Nylon Net Company
7 Vance Avenue
Memphis, TN 38101

ANMO Associate Members

A. B. Carter Company
Carter Traveler Company
208 Hamilton Drive
West Point, GA 31833

Farrell-Calhoun, Inc.
400 North Front Street
Memphis, TN 38103

Flexabar Corporation
140 Walnut Street
Northvale, NJ. 07647

Samson Ocean Systems
99 High Street
Boston, MA 02110

Senator RIBICOFF. H.R. 3317. Mr. Devine and Mr. Wenzlau.

STATEMENT OF HON. SAMUEL L. DEVINE, REPRESENTATIVE IN
CONGRESS FROM THE STATE OF OHIO

Representative DEVINE. Senator, I am Sam Devine, a Member of Congress from the 12th District of Ohio. My purpose here this morning is in support of H.R. 3317. I would like to introduce to you, Mr. Chairman, the president of Ohio Wesleyan University, Mr. Thomas Wenzlau.

I would say parenthetically, Mr. Wenzlau was a teacher at Connecticut Wesleyan during the time that you were Governor of Connecticut.

Senator RIBICOFF. It shows the good judgment that he has. He goes from one good school to another.

Representative DEVINE. That is right. I am happy to introduce Mr. Wenzlau.

STATEMENT OF THOMAS E. WENZLAU, PRESIDENT, OHIO
WESLEYAN UNIVERSITY

Mr. WENZLAU. Thank you, Senator Ribicoff.

As Mr. Devine said, I am Tom Wenzlau, president of Ohio Wesleyan University in Delaware, Ohio and I am here this morning to testify on behalf of House bill 3317 which was introduced in the House by Representative Devine. I thank you very much for this opportunity to be here.

I have submitted written testimony and I would like to request that that be submitted.

Senator RIBICOFF. Without objection.

Generally, the committee is very sympathetic to this situation for special instruments needed. What is the cost of an instrument like this?

Mr. WENZLAU. We anticipate that the total cost installed will be about \$420,000. We are fortunate enough to have bought some German marks forward when we bought this 2 years ago. Otherwise, the cost would have arisen to close to \$600,000.

Senator RIBICOFF. I am curious, because I have a church in Connecticut now that wants similar treatment. The American manufacturers do not manufacture these type of organs?

Mr. WENZLAU. In this case, I do not know whether your church is similar, we set some specific criteria for this instrument because it is a teaching instrument as well as a performance instrument as would be the case in a college. It needed to be musically versatile so that it could play the lovely organ repertoire from earliest times to the present.

American manufacturers have tended to specialize in instruments that play particular parts of this repertoire, but have not been as versatile.

The other thing is that this particular organ is a tracker organ, a mechanical action, as distinct from an electric or electropneumatic type of organ. As for American manufacturers, about 95 percent of the products they produce, are of the electric or electropneumatic.

Senator RIBICOFF. How long does it take to manufacture one of these?

Mr. WENZLAU. We placed this final order on March 8, 1978, it has been under construction since that time.

However, it was in the planning stage for several months before that. You really do not buy an organ, you buy an organ builder. It is more like commissioning a work of art. We chose the builder, really in 1971, and this was before American manufacturers had had very extensive experience. He visited our campus and working with our professor of organ really created this instrument for this specific auditorium. It is the largest auditorium in the community of Delaware, Ohio and it is going to be a unique contribution to the general culture of the area.

Senator RIBICOFF. In other words, each one of these organs is custom made, not mass-produced. You cannot go into a factory and pick one off the floor?

Mr. WENZLAU. It is clearly a unique instrument. This one has some 4,500 pipes ranging from 16 feet high to not more than a quarter of an inch.

Senator RIBICOFF. Do you have an organist who is good enough to play it?

Mr. WENZLAU. I hope so, sir; I think we do.

Senator RIBICOFF. I imagine it would be a very thrilling experience for the Ohio Wesleyan community to have the organ.

Mr. WENZLAU. Yes, sir.

Senator RIBICOFF. I understand the problem. I am grateful to Congressman Devine and yourself for coming here.

Thank you very much. We understand your problem.

Mr. WENZLAU. Thank you, sir.

Senator RIBICOFF. Good luck, to you.

[The prepared statement of Dr. Wenzlau follows:]

Statement by

Dr. Thomas E. Wenzlau, President

Ohio Wesleyan University

On H. R. 3317

On Behalf of

Ohio Wesleyan University

Before the

Subcommittee on International Trade

United States Senate

Room 2221 Dirksen Senate Office Building

February 5, 1980

SUMMARY STATEMENT

Witness: Thomas E. Wenzlau
Address: 135 Oak Hill Avenue, Delaware, Ohio 43015
Position: President, Ohio Wesleyan University, Delaware, Ohio 43015
Representing: Ohio Wesleyan University
Concern: Support for H.R. 3317

Outline of Arguments

1. Ohio Wesleyan seeks tax exemption from tariff duty on the purchase of a German-built concert organ that was ordered on March 8, 1978.
2. The organ will be used for educational and cultural purposes only.
3. The major general requirement for the instrument is musical versatility so that organ music of all types and musical eras can be performed.
4. Specific criteria included:
 - a) mechanical (tracker) playing action,
 - b) the organ must be a work of art,
 - c) the builder should have an international reputation,
 - d) the builder must have experience in building a versatile instrument,
 - e) the builder must be financially sound.
5. Utilizing the stated criteria, in 1971 Ohio Wesleyan selected Johannes Klais Orgelbau as the builder.
6. Generalizations about American-built organs:
 - a) Ninety per cent are electric or electric-pneumatic.
 - b) Only two or three tracker organs of the size Ohio Wesleyan University planned had been built in the U.S. before 1972.
 - c) The best American builders build smaller musically specialized instruments.
 - d) No single American builder could match the Klais qualifications.
7. Negotiations with Klais have been direct rather than through a sales representative or agent. The organ was delivered in January 1980 and is being installed with completion expected by mid-April 1980.

Senator Ribicoff and Members of the Subcommittee:

My name is Thomas E. Wenzlau, 135 Oak Hill Avenue, Delaware, Ohio 43015. I am President of Ohio Wesleyan University also located in Delaware, Ohio. I am appearing today representing the University, to testify in support of H.R. 3317, a bill introduced in behalf of Ohio Wesleyan by Representative Devine.

Ohio Wesleyan is an independent liberal arts college related to the United Methodist Church. Since we are a bona fide tax exempt educational institution, we do not see our request as seeking "special interest" legislation. We view it, rather, as an attempt to have the University's recognized tax exempt status confirmed to include a project clearly within the educational and cultural functions for which that basic exemption was established and has been maintained.

For more than a century Ohio Wesleyan has been a leader in providing organ music and instruction within its music curriculum. Since its completion in 1893, Gray Chapel -- the University's major auditorium -- has been the center of cultural programs for Ohio Wesleyan. As the largest auditorium in the Delaware community it is also used extensively for large public assemblies, and as the performance center for the local community symphony and the community chorus.

About ten years ago, the University decided that it must replace the forty-year-old electric action instrument then in Gray Chapel. It was badly in need of a complete overhaul and refurbishing. More serious was its severely limited repertoire which made it inadequate as a teaching and recital instrument.

Before Ohio Wesleyan University could begin to select an organ builder, it was necessary for us to establish the musical needs, functions and requirements which must be met in a new organ. In a school which has the kind of educational program we have, it was essential that a new instrument be as musically versatile as possible. It would be used primarily as a teaching tool and therefore must allow for the interpretation of the broadest possible range of organ literature. In addition, the organ would be used for recitals, daily practice, as an accompanimental instrument for choral concerts, and for use with other instruments, band and orchestra. Since the new organ would be housed in Gray Chapel, the University concert hall, it would be in every sense a true concert organ.

From the outset, several more specific prerequisites were set down:

- (1) The organ must have mechanical (tracker) playing action, which allows for the most sensitive communication between organist and instrument, and which has, by far, the longest life expectancy with resultant lowest maintenance costs;
- (2) The organ must be a true work of art; that is, it must be built with the very finest materials, craftsmanship and aesthetic appeal;

- (3) The builder must be of the highest personal integrity, have had vast experience, and have acquired an acknowledged international reputation based on the quality of organs he has built;
- (4) The builder's personal philosophy of organ building must include electric tonal design, steady wind pressure (essential for the versatility to perform romantic and modern organ music), and tuning in equal temperament;
- (5) The builder must be of unquestioned financial stability.

As a result, we approached the selection of an organ builder with a view to the entire world market. In 1971, following a thorough study of the credentials of both foreign and domestic firms, the University selected Johannes Klais Orgelbau of Bonn, West Germany. The firm of Klais has had experience continuously since 1882. The president, Hans Gerd Klais, is the third generation of the founding family and is a musician, a scholar, the author of several internationally known books and treatises, and a man whose experience and broad views are reflected in the tonal design and voicing of his instruments. He uses only the very highest quality materials. His staff of over 50 highly skilled workers ensure impeccable craftsmanship. His assistant, Josef Schafer, is among the most brilliant organ design architects in the world. Although the Klais firm builds organs of all sizes, it is especially acclaimed for outstanding and beautiful large organs, such as those found in the European cathedrals of Trier, Wurzburg, Limburg, Graz and Berlin. Therefore, the firm brings experience and expertise to the difficult task of designing and building large mechanical action organs, such as the one for Gray Chapel. Finally, the Klais firm is financially very stable.

To be sure judgment does play a role in the selection of an organ builder, just as it does in the commissioning of any artist. However, several objective generalizations are appropriate:

- (1) Perhaps 90 per cent of all pipe organs built in the United States are electric or electro-pneumatic action instruments. America's best known builders -- Austin, Moller, Schantz and Reuter -- had built a total of only two tracker action instruments prior to 1972;
- (2) Only two or three tracker organs as large as the OWU instrument had been built by any U.S. builder prior to 1972;
- (3) The quality American builders of tracker organs; e.g., Brombaugh, Fisk, Holtkamp and Noack had little experience prior to 1972 and that experience was primarily with small and specialized instruments designed to play Baroque music. Our specifications required a versatile instrument that could play romantic and modern organ music as well. No American builder could present the overall strength of qualifications of Klais Orgelbau.

All of our negotiations with Klais have been direct. Klais has no American sales representative or agent. We asked to be placed on the Klais production list in March of 1972. Our final contract was signed March 8, 1978. The organ arrived in the U.S. in January and is being assembled in our Chapel. We expect to dedicate the organ with a recital concert in the late spring of 1980.

We ask the Subcommittee to recommend passage of H.R. 3317 to exempt the University from tariff duty on this unique instrument which will be used exclusively for educational and cultural purposes at the University and in the Delaware, Ohio, community. Thank you for the opportunity to appear before you today.

[The following letter was submitted for the record by Senator Byrd on H.R. 3317:]

FIRST PRESBYTERIAN CHURCH,
Waynesboro, Va., January 10, 1980.

Senator HARRY F. BYRD, Jr.,
Russell Building,
Washington, D.C.

DEAR SENATOR BYRD: It has come to my attention that St. Paul's Episcopal Church in Greenwich, Connecticut, is seeking to be exempted from payment of the import duty on their new European pipe organ, and that several other institutions are doing the same regarding imported and largely mechanical action organs (organs built in the "classic" style). The proposal has already received approval from the House Ways and Means Committee.

As a church musician and Dean of our local chapter of the American Guild of Organists, I wish to convey to your my opposition to this measure which would have a harmful effect on our fine domestic pipe organ builders.

You may be aware that one of the best organ builders in the United States, and certainly one of the leaders in the world in this area, has recently located in Swoope, (near Staunton) here in Virginia. Taylor Organbuilders, headed by Virginia native, George Taylor, and John Boody, have built and will continue to build some of the very finest classic mechanical action organs to be found anywhere, here or in Europe. The workmanship and sound of these organs is equal to, if not surpassing, any comparable European firm.

Furthermore, there are many superior small and large builders in the United States which are fully capable of servicing the needs of our country in this regard. While there was a time in the past when many of us looked to European builders for fine organs, it is no longer the case today. We are now fully competitive with any organ the European builders may offer. In fact, oftentimes our organs are superior to the European types.

Our own fine builders deserve protection from the sort of proposal now being considered. The need is even more pressing when our builders must pay substantial import duties should they wish to sell to European buyers.

Please consider opposing the cancellation of import duties in the above mentioned case. If the opportunity should present itself, you may feel free to pass this information on the appropriate persons.

Thank you for representing the people of Virginia so well in Washington.

With very best regards.

Sincerely,

EDWARD ZIMMERMAN.

Senator RIBICOFF. The committee will stand adjourned.

[Whereupon, at 11:35 a.m., the subcommittee recessed to reconvene at the call of the Chair.]

[By direction of the chairman the following communications were made a part of the hearing record:]

hendrickson organ company inc.
1403 Wagon 6th street
st. paul, minnesota 55002
phone 527/831-4271

charles hendrickson
518 college avenue
member APOSA

24/65

3/243

GP

3 FEB 65
30 January 1980-6

Senator David Durenburger
Washington, D. C.

Re: HR 3317

Dear Senator Durenburger

Your committee will be having a hearing on the above bill on February 5th. Unfortunately I will be unable to attend, but hope that you will be able to consider some objections to sections in the bill relating to the waiver of import tax on two pipe organs.

Ohio Wesleyan University wishes to import a pipe organ from the Klais Organ Co. of West Germany, and a church in Riverside, Conn. wishes to import an organ from the Hradetsky Co. (I believe in Austria).

I, naturally, have no objections to these institutions wishing to purchase an instrument from overseas, but I strongly object to their being granted exemption from import tax. It appears from the information presented to the house committee that they are requesting exemption from tax on the grounds that no American Builder could produce such instruments, or produce them quickly enough for the purchasers. This is a very false fabrication based on limited data, and I can assure you that there are firms in this country which could build such instruments within the time span of a reasonable contract.

I object that these firms are being allowed to import without tax on an uncontested assumption that no American firm can do equal work.

It is all the more objectionable when we realize that because of the restrictions and purchase methods utilized in most European countries, it is almost impossible for any American builder to be considered for sales in exporting to these countries. The number of pipe organs sold to European countries by American builders is almost zero. It is not possible that any American firm could ever pose a competitive threat to a European firm on their own ground.

Even though I am too small a firm to build an instrument of the size that Ohio Wesleyan is purchasing from Germany, I am close to it, and many other American firms have the staff and facility to do so. I could certainly build an instrument of the size for the Connecticut church.

Many American firms do import some pipe organ materials from Europe, and are taxed accordingly for these materials, and we do not object to this.

Yours very truly,


Charles Hendrickson

STATEMENT BY CONGRESSMAN ADAM BENJAMIN JR.
AND SENATOR BIRCH BAYH BEFORE THE SENATE SUBCOMMITTEE ON TRADE

February 5, 1980

Mr. Chairman and Members of the Trade Subcommittee. Thank you for the opportunity to testify in support of S. 1275, a bill proposing to amend the United States Tariff Schedules to provide for the proper classification of cold finished steel bars.

It is our contention that there is an obvious anomaly in the United States Tariff Schedules which misclassifies approximately 20-30% of the total imports of cold finished steel "bars" as "wire." In 1978, 48,000 tons of cold finished steel bar was classified for tariff purposes as wire. Since wire is generally dutied at \$6 per ton compared to \$40 per ton for a comparable ton of cold finished steel bar, the revenue loss to the United States exceeded \$1.6 million.

More important than the revenue losses are the distortions in import statistics and the inequity within the cold finished steel bar industry which is characterized by less protection for more processing. In other words, contrary to custom and common usage, the tariff schedule simply but categorically states that any cold finished steel bar less than .703 inches (17.8MM) in cross-section dimension is "wire" even if all of its characteristics indicate to every normal human being that it is a "bar."

We don't know of any magic in a cross-section dimension of .703 inches. However, we do know that wire and bars can be

distinguished logically, distinctly and rationally and that its manufacturing process is different and that it ought to be treated for tariff purposes as it is for commercial purposes.

Very simply - S. 1275 proposes that drawn products sold in coil form should be considered wire. If cut to length - it should be considered bar.

We find this distinction to be logical, as well as technically correct. Some of our government agencies agree. The Commerce Department has modified the Export Schedule B so that the definition of "wire" is limited to coiled products. (See headnote 3(H) to subpart B, Part 2, Schedule 6.) The International Trade Commission staff has also accepted the proposed change in tariff nomenclature. In addition, representatives of the European Communities have proposed a similar limitation to the definition of "wire" in the Brussels Tariff Nomenclature. (See, Doc. #1833/71 E Rev. 8, English Version, Page 7.) This proposal has also been endorsed by the American Iron and Steel Institute.

On the other hand, as is often the case in government, policy considerations supercede rationale and logic. The Special Trade Representative, through his capable and cooperative staff, apparently believes that there are policy considerations that dissuade the adoption of this remedial proposal. The Special Trade Representative believes that any modification of the trade schedule which would place items in a higher classification, even if properly so, would invoke GATT Article 28. While we do not necessarily agree, we believe that this can be accommodated.

The Special Trade Representative also cautions that any change could impact on the Specialty Steel Quotas. Again, we do not necessarily agree.

However, in both instances, the problem, if any, can be properly handled. First, in the spirit of compromise, the industry agreed to an amended bill which provides a trade weighted average adjustment in duties immediately and an increase to a constant duty level of 1982 for all dimensions of cold finished steel bar. This timing would allow the Administration to deal with any tariff issues that might arise in the context of multilateral customs negotiations now planned. Secondly, the Committee Report can exempt this from any conflict with the Specialty Steel Quota.

It is essential that Congress provide the legislation which explicitly expresses the Congressional intent to remove this loophole in our tariff schedules. The Special Trade Representative's office must be forced to negotiate foreign trade agreements from a position of strength, keeping the domestic producers foremost in their minds.

This bill would correct a mistake that is acknowledged by all objective observers -- including those representing the supplying countries. Closing this kind of loopholes should not create any obligation to pay compensation under Article 28.

Also, the duty in question would only be raised to equal the rate applied to other cold finished bar. Since the higher duty has not prevented record imports in recent years, that equalization

would be very unlikely to result in any significant reduction in existing trade.

We urge that S. 1275 be considered favorably by your Subcommittee. Thank you.

◆ THE HOLTkamp ORGAN ◆

February 6, 1980

Mr. Michael Stern,
Staff Director,
Committee on Finance
Room 2227
Dirksen Senate Office Building
Washington, D. C. 20510

Dear Mr. Stern:

As an American organbuilder whose firm has been in business in this country since 1855, I wish to express the strongest possible objection to Bills H.R. 3755 and H.R. 3317 to exempt two private institutions, Ohio Wesleyan University, Delaware, OH, and St. Paul's Episcopal Church, Riverside, CT, from paying import duties on their large European tracker organs plus components (Klais and Hradetsky respectively).

This is in no sense an objection based on fear of foreign competition. I am happy to compete with any organbuilder in the world today. Both of these European firms are good firms and build good instruments. Better instruments are available in the United States from American firms. I simply object most strongly to this attempt on the part of European firms to encourage their American clients to seek to avoid lawfully imposed Import Duty.

I expressed my feelings to the Honorable Charles Vanik, Representative from Ohio, who headed the Committee on Trade that originally looked at these bills. Both Mr. Vanik and his staff gave me full assurance these bills would never leave his committee. Obviously other voices were heard and Mr. Vanik changed his mind. He wrote me to say that since these two institutions (a church and a university) had not

Established 1855

THE HOLTkamp ORGAN COMPANY • 2909 Meyer Avenue • Cleveland Ohio 44109

Mr. Michael Stern

February 6, 1980

budgeted money to pay the duty it was unfair to ask them to do so. This kind of specious argument from a man of Mr. Vanik's caliber is exceedingly disappointing to me as an American and as a taxpayer. Mr. Vanik's argument would excuse us all from paying taxes. I enclose a copy of Mr. Vanik's letter. It is just this kind of chicanery that makes Americans doubt their government.

Sincerely,



Walter Holtkamp

THE HOLTkamp ORGAN COMPANY

WH/ay

Encl.

CHARLES A. VANIK, CHAIRMAN
SUBCOMMITTEE ON TRADE

NINETY-SIXTH CONGRESS

AL ULLMAN, CHIEF, CHAIRMAN
COMMITTEE ON WAYS AND MEANS

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

SUBCOMMITTEE ON TRADE

December 7, 1979

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A. P. BAKER, ASSISTANT CHIEF CLERK
JOHN H. BRADSHAW, CLERK OF THE CLERK

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W. ROBERT HENNING, LA.

DI OFFICE
BARBARA S. COVILL, AL, N.Y.

Mr. Walter Holtkamp
President
Holtkamp Organ Company
2909 Meyer
Cleveland, Ohio 44109

Dear Mr. Holtkamp:

As you know, my Subcommittee on Trade has had before it this year two bills which would provide tariff relief to two institutions for the importation of organs.

In our discussions of these bills, it became clear that, ~~rightly or wrongly, these two non-profit institutions had come to rely on their passage.~~ The bills were heavily supported by the congressmen from the areas concerned, and on November 27 they passed the House by voice vote. During the hearings on these bills, however, as a result of my staff's discussions with you, I brought out in the hearing record that there is, indeed, sufficient domestic production capability, and that the rather routine way in which organ bills have been introduced and considered in the past is not acceptable.

We have included in the Committee's report on this legislation a very clear warning that we do not want to consider any more bills of this nature, because domestic suppliers are available. While the two bills which have been introduced will probably be enacted, I do believe we have established guidance (barring major changes in domestic capabilities) against the consideration of any more bills providing tariff reductions for organs in the future.

Sincerely yours,

Charles A. Vanik
Chairman

CAV:MKVe
Enclosure

Dave F

[Handwritten signature]



DEPARTMENT OF STATE

Washington, D.C. 20520

February 13, 1960

Dear Mr. Chairman:

The Delegation of the Commission of the European Communities has delivered the enclosed Aide-Memoire concerning S 1275 to the Department of State. The Delegation has asked that the Note be made part of the public record on this Bill.

Sincerely,

A handwritten signature in cursive script that reads "J. Brian Atwood".

J. Brian Atwood
Assistant Secretary for
Congressional Relations

Enclosure:

Aide-Memoire from the
European Communities.

The Honorable
Abraham Ribicoff, Chairman,
Subcommittee on Trade,
Committee on Finance,
United States Senate.

DELEGATION FEB 15 PM 4: 03
OF THE
COMMISSION OF THE EUROPEAN COMMUNITIES

A I D E - M E M O I R E

The Delegation of the Commission of the European Communities wishes to draw the attention of the U.S. authorities to proposals in the Congress for amendments of the tariff classification of wire products. The U.S. Senate will organize a hearing on these proposals (S 1275) on 5 February, 1980.

In particular, the U.S. Senate proposes that headnote 3 (i) to sub-part B of part 2 of schedule 6 of the tariff schedules of the U.S. be amended by deleting the words "or cut to length". The effect of this change will be that steel round wire over 0.60 inches and not over 0.25 % carbon content, presently entering the United States under TSUS item 609.41, will be classified under TSUS 608.50. The actual rate of duty for this type of round wire is 0.3 cents per pound with an actual ad valorem equivalent of 1.8 %; the proposed tariff reclassification would result in a duty of 5 %. This not only constitutes a substantial duty increase but also means a reconversion of specific duties into ad valorem duties outside the framework of Article XXVIII of GATT.

Moreover, it is proposed that on 1 January, 1982 the U.S. tariff schedules be amended by inserting a general rate

of 7.5 % ad valorem for all cold formed wire products under TSUS item 608.50. The Commission of the European Communities reminds the Department of State that in the multilateral trade negotiations the United States agreed to reduce the tariff rates for wire products that fall presently under TSUS items 609.20 to 609.76 to rates well under 7.5 % ad valorem. The Commission of the European Communities would therefore strongly welcome comments from the Department of State on the incidence of the U.S. Senate reclassification proposals on the agreed MTN rates.

The Commission of the European Communities invites the Department of State to present at the forthcoming hearing on S 1275 as its viewpoint that any proposal for tariff reclassification of wire products that would entail a change from specific to ad valorem duty should be done in the framework of Article XXVIII of the GATT and that any reclassification of wire products that would result in a modification of existing ad valorem rates should not result in an increase in tariff rates as agreed in the multilateral negotiations.



Washington, D.C.
February 4, 1980

national grange



Edward Andersen, Master

January 31, 1980

Honorable Abraham Ribicoff, Chairman
Subcommittee on International Trade
Committee on Finance
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

The National Grange continues to be concerned over the shortage of railroad hopper cars necessary to move the grain production from the nation's farms. It once was a problem only at harvest, but in recent years, with heavy movement overseas of U. S. grain, the railroad hopper car shortage is year-round.

Even with big increases in domestic production of hopper cars, we still find the demand far exceeding the supply. This causes delay in the movement of grain from the farm to domestic and overseas customers. The anticipated increase in demand for U. S. grain by foreign buyers will only complicate an already serious problem.

All during this time of boxcar shortage our government assessed a tariff on boxcars imported from Mexico. We have been informed that if our government would remove the tariff the supply of boxcars from Mexico would be substantially increased. Bills have been introduced by Senator Bentsen and others (S. 1004), and Rep. Fithian and others (H.R. 3046), that would suspend the present tariff on cars imported from Mexico.

There are strong and compelling arguments to support such legislation:

1. Nearly half of the value of the Mexican cars, both for export and for domestic Mexican consumption, consists of parts manufactured in the U.S., essentially eliminating any adverse effects on the U. S. trade balance from the import of Mexican cars. In fact, many American jobs are dependent on the Mexican railroad industry.
2. Because of the 18% duty, it has become economically unfeasible for Mexico to supply the U.S. market demand at a time when the United States desperately needs railroad cars. Two major railroads have stopped buying cars from Mexico. Other companies which had anticipated buying cars called off negotiations.

3. The price of the smaller number of Mexican cars which are sold in the U. S. market will increase significantly, thereby increasing inflationary pressures which the Administration wants to reduce.

4. There is no need for duties to protect domestic producers of railroad cars, because the domestic industry cannot possibly meet the demand during the next several years. The domestic companies have a backlog of 120,000 cars, up from 37,000 cars a year ago. Only two percent of U. S. railcars are imported.

5. Mexico is neither a short nor long-term threat to the U. S. car manufacturing industry, since it would have a capacity to ship only about 2,000 cars a year to the United States for the two-year period of the proposed duty suspension.

We urge speedy adoption of S. 1004 to suspend the tariff on railroad boxcars imported from Mexico. Please see that this letter is included in the hearing record. Thank you.

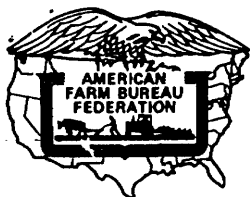
Sincerely,



Edward Andersen
Master

EA:mm

cc: All Members,
Finance Committee



★FARM BUREAU★

"the nation's largest general farm organization"

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION
TO THE SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE SENATE COMMITTEE ON FINANCE
RE S. 1004 and H.R. 3046, SUSPENSION OF IMPORT DUTY
ON RAIL FREIGHT CARS

Presented by
Joseph W. Ayres, Assistant Director, National Affairs

February 5, 1980

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION
 TO THE SUBCOMMITTEE ON INTERNATIONAL TRADE
 OF THE SENATE COMMITTEE ON FINANCE
 RE S. 1004 and H.R. 3046, SUSPENSION OF IMPORT DUTY
 ON RAIL FREIGHT CARS

Presented by
 Joseph W. Ayres, Assistant Director, National Affairs
 February 5, 1980

Farm Bureau is a voluntary, dues-supported organization representing more than 75 percent of the commercial farmers and ranchers in this country with a membership of more than 3 million in 49 states and Puerto Rico.

The broad base of Farm Bureau membership requires that we constantly monitor transportation problems and issues, as Farm Bureau members produce virtually every agricultural commodity produced on a commercial basis in this country, and are directly or indirectly involved with shipping and receiving freight as a part of their farming operations.

Farmers and ranchers have a growing concern about the availability and dependability of transportation services, particularly by rail. During the past 25 years we have witnessed a massive shift of agricultural freight from rail to truck. Last summer's protest shut-down by the independent truckers amply demonstrated the vulnerability of agriculture to motor carriers, and we are therefore more aware than ever of the need to shift a considerable amount of agricultural freight back to the railroads.

That shift is not possible in most areas of the country because of the severe shortage of railcars and locomotive equipment. In 1978 we experienced the worst shortage of railcars in recent memory. Shippers of grain found it impossible to meet delivery agreements, purchase contracts were cancelled and prices to farmers suffered. This severe shortage, which affects not only shipment of grain and other commodities from farms to market but also the shipment of vital production inputs such as fertilizer and limestone to farms, has become a serious problem that not only affects agricultural producers and others in the agricultural community but will inevitably have an effect on agriculture's ability to produce and market a growing tonnage of grain and other product for domestic consumption and the expanding export market.

While we do not view the passage of S. 1004 and H.R. 3046 as a simple solution to the railcar shortage, we see much to gain and little to lose by temporarily lifting the 18 percent import duty on railcars so as to make it possible for Mexican and Canadian manufacturers to provide some of our needs.

Objections to this legislation by some American manufacturers of railcars are not valid as these manufacturers admittedly are two years behind in filling actual orders by rail carriers and other purchasers of railcars.

The enactment of S. 1004 and H.R. 3046 is clearly in the public interest and will not harm domestic manufacturers or workers. We urge this Subcommittee to report a bill to the full Committee as rapidly as possible and urge the full Committee to send the bill to the floor of the Senate for the earliest possible enactment.

We appreciate the opportunity to present Farm Bureau's views.

REUTER ORGAN CO AGS
PO BOX 486
LAWRENCE KS 66044



Mailgram 

4-0105488043 02/12/80 ICB IPH8NGZ CSP MSMB-
9138432622 MGM TOBN LAWRENCE KS 71 02-12 1006A EST

Dave F

MICHAEL STERN STAFF DIRECTOR SENATE COMMITTEE
ON FINANCE
WASHINGTON DC 20510

WE REQUEST THE SENATE FINANCE COMMITTEES OPPOSITION TO BILLS HR3755
AND HR3317, DEFEAT OF THESE BILLS IS VITAL TO THE PROTECTION OF THE
UNITED STATES PIPE ORGAN INDUSTRIES AND THE IN EMPLOYEES IN IT. WE
REQUEST YOU TO ADVISE THE COMMITTEE OF OUR POSITION AGAINST THESE
BILLS.

A G SABOL PRESIDENT REUTER ORGAN CO
PO BOX 486
LAWRENCE KS 66044

10108 EST

MGMCOMP MGM

Mailing Address: P. O. Box 520
Pineville, N. C. 28134

W. Zimmer & Sons, inc.
pipe organ builders

Factory & Offices: Nations Ford Road
Charlotte, N. C.
Telephone (704) 568-1706



6 February 1980

Mr. Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Building
Washington, DC 20510

HR 3755
HR 3317

Dear Mr. Stern:

While these matters were being considered before the House several months ago, we wrote to our own Congressman, James Martin-RNC in this regard, expressing the simple fact that while some particular individuals may like the instruments one or another European builder designs and builds, there is no question that there are domestic pipe organ builders with all the qualifications that one could possibly desire, except with the difference in national origin.

To be more specific, there are very high quality American pipe organ builders who have sufficient capacity and short enough delivery time to build any one of the instruments which are being considered for tax relief. The fact is that it is not at all fair for European pipe organ builders to have the advantage of no import duty, when that is certainly not the case on any American instrument being imported into Germany. This same situation even applies with Canada and the several pipe organ builders there whose main business is exporting to the US.

We think it quite unfair to legislate against the pipe organ workers and builders here in America by allowing foreign instruments to be imported without duty. The production capability is here, the quality is here, and the interest is certainly here as well. We appreciate your efforts on our behalf and on the behalf of other pipe organ builders here in America.

Sincerely,

W. ZIMMER & SONS, Inc.

Morris Speisman for
Franz J. Zimmer, President

FZ/ms



Raymond Garner and Company

MECHANICAL-ACTION PIPE ORGAN SPECIALISTS

Mr. Michael Stern
Staff Director
Committee on Finance
Room 2227, Dirksen Senate Office Bldg.
Washington, D.C. 20510

February 11, 1980

Dear Mr. Stern,

I am taking this opportunity, as long as I am here in Washington personally for business reasons, to write this letter to you and to deliver it to your office in person in the hope that it is not yet too late to prevent the passage of bills H.R. 3766 and H.R. 3317 respectively, which deal with exemptions from paying import duties for two private institutions.

These bills have apparently passed the House by a voice vote, and now are pending before the Senate Subcommittee on International Trade of the Finance committee.

Although these are supposed "one-time" bills for the particular institutions involved, the implications (not to mention the precedent which may be established) are enormous and will stifle the encouragement and growth of the domestic pipe organ industry in a fair competitive environment. With the passage of these bills, who will guarantee that further bills of this sort will not be requested by many more institutions in the future?

If tariff relief is granted in this area of industry, then why not also for the foreign car market? The claim that good, efficient, small automobiles are not made in America is not entirely spurious, and opens an entirely fresh can of worms. If foreign organs can be exempt from duty, what product which is produced abroad will be exempted next? I'm sure that the case can be made for other products as well.

Our company frequently purchases organ components from Germany, but only those which are not made in our own country. Although these components are not made here, we still must pay the duty (which is steep). May we be exempted from import duty, as there is no domestic competition?

I hope that reason will prevail, and that our country will not

P.O. BOX 4478
CRESTLINE, CALIFORNIA 92325

TELEPHONE:
(714) 338-3751



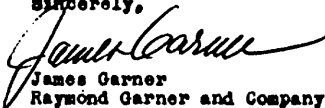
Raymond Garner and Company

MECHANICAL - ACTION PIPE ORGAN SPECIALISTS

institute one more policy which encourages the balance of trade deficit, and discourages American production.

If you have any questions, I will be in Washington through Tuesday (the twelfth), and may be reached through the office of Washington Cathedral Music Department, care of either Mr. Richard Wayne Dirksen or Mr. Douglas Major.

Sincerely,


James Garner
Raymond Garner and Company

P.O. BOX 4478
CRESTLINE, CALIFORNIA 92325

TELEPHONE:
(714) 338-3751

GENERAL MOTORS CORPORATION

1660 L STREET, N. W.
WASHINGTON, D. C. 20036

ROLAND A. OUELLETTE
DIRECTOR
TRANSPORTATION AFFAIRS

12 February 1980

The Honorable Abraham Ribicoff
Chairman
Subcommittee on International Trade
Senate Finance Committee
Washington, D. C. 20515

Dear Mr. Chairman:

We have been advised that you have scheduled hearings on S. 1004, a bill that would suspend the duty on foreign freight cars imported into the United States. We would like to include in your hearing-record our support for enactment of this legislation. General Motors Corporation, in addition to being a strong supporter of the free trade concept, is a significant user of American railroads and from either standpoint would support the prompt enactment of the proposed legislation.

GM, as a shipper, is indeed adversely affected by rail car shortages when they occur. A significant portion of our automobile production is transported throughout the country by the railroads. In addition, many of our plants are greatly dependent on railroads to ship the parts and components used to assemble the final product. Altogether, about fifty percent of all GM shipments go by railroads at an annual cost of about \$1.4 billion. (Our total freight bill is about \$3 billion annually.)

GM has 130 plants in 23 states. Twenty-six are car assembly plants linked to 104 widely located facilities that provide components and parts. These comprise a highly sophisticated and tightly controlled manufacturing and distribution process with the nation's railroads serving as a veritable moving assembly line. As a result, any delay or interruption in railroad service can generate repercussions throughout the entire GM manufacturing and distribution mechanism to the detriment of the consumer.

When railroad management faces a problem over which it has little or no control -- such as adverse weather conditions, wildcat strikes and the like -- car supply continuity is at best difficult and costly to maintain. When faced with a lack of rail cars, we try to route as much as possible of our rail traffic to other modes -- usually at greater expense and inconvenience. Without railroad service our entire operations would be shut down within two to three days. There is no substitute service available adequate to keep our entire manufacturing and distribution system going.

Generally speaking, the railroads have been able to meet our needs over the years. Furthermore, railroads have been making a praiseworthy effort to upgrade and modernize their equipment and facilities. Rail car maintenance, replacements and additions -- which are essential to maintain quality of railroad service -- have been among their most serious problems.

In recent years, domestic rail car manufacturers have been producing at capacity and experiencing delivery backlogs running well into 1981. It has become extremely difficult for railroads needing new cars to meet short-range demands. Without access to foreign manufacturers it would be impossible. It is our belief the railroads and their shippers should not be penalized by an import tax as a result.

Last year, in written testimony submitted to the House Committee, it was stated that, although the rail car shortage was critical in nature, the manufacturing industry was only "temporarily experiencing high demand for their products." During 1979 that shortage and the production backlog was still significantly high. And while the car supply has been ameliorated during the current downturn in automotive sales, we believe, nevertheless, that passage of S. 1004 can have significant benefits.

With the Federal Government greatly concerned about, and in some cases directly involved in, upgrading weakened segments of the nation's railroad system, it stands to reason that S. 1004 represents a common sense approach. Car shortages make it more difficult for the railroads to improve their service. The mechanism embodied in S. 1004 to ease the shortage can therefore serve the long-term interests of the producers themselves by helping to preserve their customers. We support this bill as a reasonable method for easing the shortage.

It should be noted that General Motors is a member of the Railway Progress Institute which opposes this legislation. On this issue, we differ with RPI as does the North American Car Company. This should be viewed as an honest case of opposing views among the RPI membership and nothing more. On almost all other issues, we support RPI positions along with the majority of other members.

We urge this Trade Subcommittee to report favorably the bill to the full Committee for eventual passage by the Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "Roland A. Ouellette". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

Roland A. Ouellette

Sweet Briar College

Sweet Briar, Virginia 24595

Department of Music

January 31, 1960

Senator Harry Byrd, Jr.
Room 417
Russell Building
Washington, D.C., 20515

Dear Senator Byrd:

It is my understanding that you are a member of the Subcommittee on International Trade of the Senate Committee on Finance. I am writing to ask that you vote against two measures: HR 3317 which will allow the Klais Organ Company to import an organ into this country duty free and HR 3755 which will allow a similar privilege for the Hraddesky Organ Company. The first instrument is to go to Ohio Wesleyan University in Delaware, Ohio and the second to St. Paul's Episcopal Church in Riverside, Conn.

I keep close contact with several small organ shops throughout the country. High quality pipe organs can be produced only by expensive handworkmanship. It is a time consuming and expensive undertaking, and those who are committed to it operate on the slightest of profit margins. I understand that American builders suffer an eight percent tariff when they export an instrument to European countries. Yet our tariff on imported organs, which the above measures are designed to circumvent, is a mere two percent. I urge you to use your influence to protect American builders by upholding the present modest tariff restrictions.

Very sincerely yours,

John R. Shannon
John R. Shannon
Professor of Music

POTTER-RATHBUN ORGAN COMPANY

SALES - REPAIRS - REBUILDING - TUNING
 463 GARLAND AVE. • CRANSTON, RHODE ISLAND 02920 • Tel. 401-945-6410



February 8, 1980

The Hon. John H. Chafee
 United States Senate
 Washington, D. C. 20510

Dear Senator Chafee:

It has come to our attention that the two "private" bills, H. R. 3755 and H. R. 3317, for tariff relief for two European tracker organs, at Ohio Wesleyan University, Delaware, Ohio and St. Paul's Episcopal Church, Riverside, Connecticut, Elais and Hradetsky respectively have come before the U. S. Senate Sub-Committee on International Trade.

These bills were passed by the House in November by voice vote and are now pending before the Senate. We strongly take exception to the favorable passage of these bills. These bills will move from the Senate Sub-Committee to the Senate Finance Committee, chaired by Russell Long, D-LA.

We feel strongly that any foreign imports of pipe organs or pipe organ parts must not receive any favorable relief from tariffs because the implication is precedent setting and will seriously jeopardize the American pipe organ industry and related jobs. Churches and Universities are both having difficulty in providing the needed money to carry out their goals and this is affecting new organ purchases and we believe that every help is needed for the survival of the American Organ Builder, including the tariffs on foreign organs and parts.

We would appreciate your consideration in this matter. Thank you.

Very truly yours,

POTTER-RATHBUN ORGAN CO.

Arnold C. Rathbun
 Arnold C. Rathbun

ACR/or

SERVICE M. P. MOLLER, INC. SALES
 HAGERSTOWN, MARYLAND

POTTER-RATHBUN ORGAN COMPANY

SALES - REPAIRS - REBUILDING - TUNING
 463 OAKLAWN AVE. • CRANSTON, RHODE ISLAND 02920 • Tel. 401-942-5410



February 8, 1960

The Hon. Claiborne Pell
 United States Senate
 Washington, D. C. 20540

Dear Senator Pell:

It has come to our attention that the two "private" bills, H. R. 3766 and H. R. 3717, for tariff relief for two European tracker organs, at Ohio Wesleyan University, Delaware, Ohio, and St. Paul's Episcopal Church, Riverside, Connecticut, Elais and Hredetzky respectively have come before the U. S. Senate Sub-Committee on International Trade.

These bills were passed by the House in November by voice vote and are now pending before the Senate. We strongly take exception to the favorable passage of these bills. These bills will move from the Senate Sub-Committee to the Senate Finance Committee, chaired by Russell Long, D-IA.

We feel strongly that all foreign imports of pipe organs or pipe organ parts must not receive any favorable relief from tariffs because the implication is precedent setting and will seriously jeopardize the American pipe organ industry and related jobs. Churches and Universities are both having difficulty in providing the needed money to carry out their goals and this is affecting new pipe organ purchases and we believe that every help is needed for the survival of the American Organ Builder, including the tariffs on foreign organs and parts.

We would appreciate your consideration in this matter. Thank you.

Very truly yours,

POTTER-RATHBUN ORGAN CO.

Arnold C. Rathbun
 Arnold C. Rathbun

ACK/cr

SERVICE M. P. MOLLER, INC. SALES
 HAGERSTOWN, MARYLAND



Mim Henry

PIPE ORGAN BUILDER
1052 Roanoke Road
Cleveland Heights, Ohio 44121
216/382-9396

February 7, 1980

Mr. Michael Stern Staff Director
Senate Committee on Finance
Washington, D.C. 20510

Dear Sir,

This letter is written in reference to #HR 3755 and #HR 3317 which would exempt some institutions from paying import duties.

The claim is that there are no American organbuilders that can build what is supposedly available only from European builders. This is just a lame excuse. The tracker organ building industry in America was perhaps late in being revived but I believe that it is every bit as good or better than the European "school". Now every organ builder has a somewhat different approach and philosophy of organbuilding and perhaps a particular customer likes a particular style of instrument, but any organbuilder of skill is able to bend his style slightly to better suit a customer.

Quite frankly, European organs are expensive, it would seem to me that if the particular institution has the money to first of all go shopping in Europe for an instrument and then buy it, they ought to have the money to pay an import duty. When I buy a part or some components or materials from abroad for use in my instruments, I have to pay a duty. I have to pass this on to my customers. Are we to write a special bill for each church that happens to buy some exotic wood parts or happens to have a set of pipes or two that were built in a foreign country?

HR3755 and HR3317 should not be passed. If they are then they should be rewritten to include organbuilders in this country so we don't have to pay duties on things we buy abroad.

Member American Institute of Organ Builders

THE WICKS ORGAN COMPANY

PIPE ORGAN CRAFTSMEN SINCE 1906

HIGHLAND, ILLINOIS 62249

TELEPHONE: 654-2191 - AREA CODE 618

February 8, 1980

Mr. Michael Stem, Staff Director
Senate Committee on Finance
Washington, D.C. 20510

Dear Mr. Stem:

Bills H.R. 3755 and H.R. 3317 have been passed in the House of Representatives and are now being studied by the Senate Committee on Finance. These bills are intended to exempt pipe organs which two institutions have on order from foreign manufacturers from import duty upon arrival. The institutions have claimed that the organs required cannot be obtained from any domestic organ builder. This claim is patently untrue, since there are a number of domestic organ builders who can provide any type of instrument required and have done so repeatedly in all styles and types of construction.

If these two bills pass, not only will this increase our balance of trade deficits, by encouraging imports without corresponding benefits to our exporters, but Congress will be beset with applications from every church and school in America wanting this same exemption from duty.

It appears to us that these bills are not in the national interest of the United States of America, they are an insult to the domestic organ building industry, and they are simply an attempt to avoid the payment of taxes for the special benefit of certain purchasers. We strongly urge you to take this into account when these bills come before the Senate Committee on Finance, and to enter these objections into the Committee's report.

Sincerely yours,
WICKS ORGAN COMPANY



M. M. Wick
President

mmw:jms

Redman*Organs*

2742 Ave. H

Fort Worth, Texas 76105

Tele. (817) 536-0090

February 5, 1980

Mr. Michael Stern, Staff Director
 Committee on Finance, Room 2227
 Dirksen Senate Office Building
 Washington, D. C. 20510

Dear Mr. Stern:

It has come to our attention that a bill to exempt from duty a \$350,000. organ for Ohio Wesleyan University and a Hradetsky organ for Riverside, Conn. is scheduled for hearing in committee. These are bills #HR3755 and HR3317.

We, along with many other American organbuilders, are objecting to this exemption. For many years our industry was lagging behind the European in development, but this is no longer true. There are a number of American builders capable of building a product of similar construction and quality for these customers.

At the same time, some parts and materials are still only available to us from Europe and we are required to pay duty on these. These proposed exemptions seem particularly unequal and we ask you to take note of our opposition.

Sincerely,

Roy A. Redman



experienced since 1888

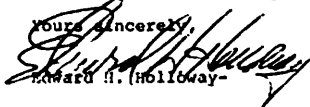
February 10, 1930

Dear Mr. Stern.

As taxpayers we are definitely opposed to the enclosed situation being permitted or even contemplated to be of consideration. We will appreciate anything you do to block this ridiculous request from exemption from import duty.

Thanking you in advance for your support of the American small business community, I am.

Yours sincerely,



Edward H. Holloway

First Presbyterian Church

P. O. BOX 877

Waynesboro, Virginia 22980

642-2006

Ministers

J. WHITTIER KENNEDY
RICHARD A. ROOSTER

2 February 1980

Director of Christian Education
SUSAN GOSPEL

Director of Music - Organist
EDWARD EISENBERMAN

To All American Organ-builders:

You may already be aware that two "private" bills are being considered by the U.S. Congress with a direct bearing on you as organ-builders. These are bills H.R. 3755 and H.R. 3317 to exempt two private institutions, Ohio Wesleyan University, Delaware, OH, and St. Paul's Episcopal Church, Riverside, CT, from paying import duties on their large European tracker organs plus components (Klais and Hradetsky respectively).

The present status of these bills is as follows. They passed the House on 27 November 1979 by voice vote, and are now pending before the Senate Subcommittee on International Trade of the Finance Committee. Testimony is now being taken.

The arguments for these bills run generally as follows: large tracker organs of the highest quality are not available from American builders, and even if one or two companies are able, the waiting period is so long as to be prohibitive for prospective buyers. Further, as "private" bills, they are "one-time" propositions for particular relief of particular institutions.

Perhaps I need not tell you the implications involved, nor that only two American builders were contacted by one of the institutions involved. But I can tell you that as an organist, I am particularly desirous that Congress hear from our already quite outstanding tracker organ-building industry, so that a climate of encouragement and growth in a fair competitive environment will be secured for the future. With the passage of these bills, who is willing to absolutely guarantee that further bills of this sort will not be requested by many more institutions, both past and future?

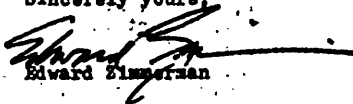
If you feel that the situation being considered is unfair, I would urge you to write: Mr. Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, DC 20510, to be received no later than Thursday, 15 February 1980 to be entered as testimony in the present hearings. Oral testimony will be taken on 5 February, but that date may well have passed before you receive this. There is still time to let your voice be heard, however, in written protests. It is advisable also to send a copy to the Senator from your

state who sits on the committee: Ribicoff (Conn., Chm.), Fal-
 madge (Ga.), Byrd (Va.), Gravel (Alaska), Moynihan (N.Y.),
 Baucus (Mont.), Bradley (N.J.), Roth (Del.), Danforth (Mo.),
 Hines (Pa.), Dole (Kan.), Chaffee (R.I.).

If you are opposed to these bills, the arguments behind them,
 and/or the possible implications, I must tell you that Wash-
 ington has not heard enough from American organ-builders.
 If all of you voice your concerns, then perhaps Congress will
 take heed.

I would remind you once more of the deadline of 15 February.
 With every good wish.

Sincerely yours,



Edward Zimmerman

REISNER INC
 PO BOX 71
 HAGERSTOWN MD 21740



Mailgram



4-0523978039 02/08/80 ICB IPHHTZZ CBP WSHB
 3017332850 MGH TOMT HAGERSTOWN MD 152 02-08 0427P EST

MR MICHAEL STERN, STAFF DIRECTOR
 SENATE COMMITTEE ON FINANCE
 U.S. SENATE BUILDING
 WASHINGTON DC 20510

DEAR MR STERN

THE FOLLOWING MAILGRAMS HAVE BEEN SENT TO MARYLAND SENATORS MACK
 MATHIAS, JR AND PAUL SARBANES
 "I RESPECTFULLY DRAW YOUR ATTENTION TO MR BILLS 3755 AND 3317 FOR THE
 EXEMPTION OF IMPORT DUTIES ON TWO SPECIFIC PIPE ORGANS TO BE IMPORTED
 FROM EUROPE. THE BILLS ARE SCHEDULED FOR REVIEW ON FEB 11, BY THE
 SENATE COMMITTEE ON FINANCE,

THE CONTENTIONS OF THE IMPORTERS AND OF THE SUBSEQUENT ABOVE HOUSE
 BILLS IS THAT THESE ORGANS CANNOT BE OBTAINED FROM U.S. DOMESTIC
 ORGAN BUILDERS.

THE FACT IS THAT THESE ORGANS CAN BE OBTAINED FROM ANY NUMBER OF U.S.
 DOMESTIC MANUFACTURERS. IT IS CLEAR THAT THE IMPORTING INSTITUTIONS
 ARE ATTEMPTING IMPORT TAX AVOIDANCE AND I URGE YOU TO LEND EVERY
 EFFORT TOWARD THE DEFEAT OF CORRESPONDING SENATE LEGISLATION."

YOURS VERY TRULY
 DONALD G ANDERSON EXEC VICE PRES., REISNER INC

10128 EST

MGHCOMP MGH

Lehigh ORGAN COMPANY

24 PINE STREET

P.O. BOX 474

MACUNGOE, PENNSYLVANIA 18062

215 906-3561

215 906-4340

February 9, 1980

Mr. Michael Stern, Staff Director
Senate Committee on Finance
Washington, D.C. 20510

Dear Sir;

I am particularly distressed upon hearing of the introduction of Bills #HR3755 and #HR3317 into Congress.

It is not justifiable to exempt complete European pipe organs from import duty when American builders must pay duty, as well as brokerage fees, etc., on imported parts and basic materials.

The argument has been advanced in support of these bills that certain types and styles of pipe organs are unavailable from American builders. This is patently false.

There are numbers of American pipe organ makers who are able and willing to build whatever style and type of instrument the customer may desire. (Prospective purchasers may obtain information from:

The American Institute of Organbuilders
P. O. Box 3132
Elida, Ohio 45807

Associated Pipe Organ Builders of America
252 Fillmore Avenue
Tonawanda, New York 14150

The American Guild of Organists
630 Fifth Avenue, Suite 2010
New York, N.Y. 10020)

I must, therefore, vigorously protest this flagrant favoritism of foreign pipe organ manufacturers - and request your NO vote on these, and similar future bills.

Respectfully yours,

John C. Gumpy
John C. Gumpy

General Manager

JCG/m

BUILDERS OF CUSTOM PIPE ORGANS

hendrickson organ company inc.
1403 north 5th street
st. peter, minnesota 56082
phone 507/931-4271

charles hendrickson
818 college avenue
member APOBA
member AIO

6 February 1980

Mr. Michael Stern
Staff Director
Committee on Finance
Room 2227
Dirksen Senate Office Bldg.
Washington, DC 20510

Re: H. R. 3775
H. R. 3317

Dear Michael Stern:

The American Pipe Organ Industry has become very interested in the movement of these two bills which waive import duties for 2 European pipe organs currently ordered by Ohio Wesleyan University and St. Paul's Episcopal Church of Riverside, Conn. Efforts to have these waivers of duty eliminated in the house proceedings by the American organ builders were unsuccessful, and I am hoping that you and the people involved with these might be able to help us in your senate deliberations.

The American pipe organ industry is too small to have lobbyists and lawyers and both of the professional organizations (Am. Institute of Organbuilders AIO, and Assoc. Pipe Organ Builders of America APOBA) are dedicated to the improvement of our craft but are without hired staff or executives operating these associations. We must, therefore, make our ideas known through the individual efforts of our members, and these recent bills have prompted our collected effort as no other legislation has in over 30 years.

We do not object to these institutions (a college and a church) buying pipe organs from overseas, but we certainly object to the waiver of duty for such instruments. The American pipe organ industry is large enough and competent to build the instruments that these institutions want, so that the reasons put forth by these institutions as to our inability to build such instruments are completely false. The supposed glamor and fame that a label "Imported from Europe" might give to these instruments is mostly the basis for their being purchased overseas, and that is all the more reason that the duty should be imposed on their importation.

The objection that these are tax exempt institutions buying the organs and are therefore worthy to receive a waiver of duty is even more offensive when the fact that 90% of all American pipe organs are built for tax exempt institutions and if an American firm has to import certain organ parts from Europe for his own production, the duty is most certainly imposed. American organ builders have paid many thousands of dollars in import duties on those things which are routinely imported from overseas.

I realize that the approximate 30 million dollars in sales that the American pipe organ industry generates each year is too small by any standard to warrant the protection of any government agency; there is hardly an industry in the country smaller than we are, but growth will certainly come hard if such anti-competitive waivers of duty are made available to our possible clients.

hendrickson organ company inc.
1403 north 5th street
st. peters, missouri 64082
phone 567/851-4271

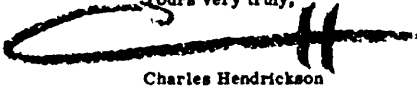
charles hendrickson
618 college avenue
member APOBA

A disappointing secondary issue has always been the near impossibility of the American organ industry being able to compete for the European market. Because of the method of purchase and financing utilized in most European countries, it is almost impossible for any American firm to ever be considered for such work. The number of organs exported to Europe is so small as to be counted on one hand over the past years.

What could be more offensive to an American firm than to have his products excluded from the European market but to find his own market in this country taken over by duty free imports?

Hoping that you might be able to help us in this matter, I remain,

Yours very truly,

A large, stylized handwritten signature in black ink, appearing to be 'Charles Hendrickson', written over the typed name below.

Charles Hendrickson

LAWRENCE L. SCHOENSTEIN
ORGANBUILDERJACK M. BETHARDS
MANAGERTERRENCE P. SCHOENSTEIN
OF COUNSEL

SCHOENSTEIN & CO.

EST. 1877

PIPE ORGANS

3101 TWENTIETH STREET • TEL. (415) Mission 7-5132
SAN FRANCISCO, CALIFORNIA 94110

February 6, 1980

Mr. Michael Stern
Staff Director
Committee on Finance, Room 2227
Dirksen Senate Office Building
Washington, D.C. 20510

Re: Pipe Organ Import Duties
H.R. 3785 and H.R. 3317

Dear Mr. Stern:

I was absolutely appalled to hear that two institutions may receive a waiver on import duties. I can see no reason whatsoever for such action. As owner of the third oldest pipe organ firm in the nation and the largest in the Western states, I must register a vehement protest.

Our firm has been building organs for five generations. In addition to this practical experience, I wrote my master's thesis on the economic aspects of the pipe organ industry at the University of California at Berkeley. It is commonly accepted today that American organbuilders including makers of tracker action instruments are far and away among the finest in the world. There is no justification on artistic or workmanship grounds for the importation of foreign instruments. Furthermore, American organbuilders are well versed in adapting instruments to our requirements which are vastly different from those in Europe. As to delivery time, many of our finest American builders can match or beat the lead time of European builders.

On the other side of the coin, the American pipe organ industry is being faced with the worst cost spiral of its history. This situation is not of its making but rather, I feel, due to the inflation-encouraging policy of the United States government. Must our small industry be placed at still another disadvantage through reduction of import duties?

You may not be aware that many American builders buy component parts from Europe. We pay import duties. Why

/ cont'd ...

ORGAN BUILDING AND AUTHENTIC RESTORATION OF HISTORIC INSTRUMENTS TUNING CONTRACTS, REPAIRS,
INSTALLATIONS, TONAL & ACTION REVISIONS, ADDITIONS, PARTS & SUPPLIES PLANNING & DESIGN, CONSULTATION

in the world should we pay them when a European builder can buy these component parts without duty in Europe and then tranship them to the United States - again without duty? The situation is obviously inequitable.

I urge the Committee to consider this testimony.

Yours sincerely,

SCHOENSTEIN & CO.


Jack M. Bethards
Manager

JMB:sw

cc: Mr. Edward Zimmerman
First Presbyterian Church
P.O. Box 877
Waynesboro, Virginia 22980

Congressman John Burton
5th Congressional District
Longworth Building
Washington, D.C. 20505

Congressman Philip Burton
6th Congressional District
Rayburn Building
Washington, D.C. 20502

STEINER ORGANS

Incorporated

February 8, 1980

Factory • 1138 Garvin Place

Louisville, Kentucky 40203

Phone (502) 583-5032

Mr. Michael Stern, Staff Director
Committee on Finance, Room 2227
Dirksen Senate Office Building
Washington, DC 20510

Dear Sir:

This letter is in regard to two bills currently being considered; H. R. 3755 and H. R. 3317, which would exempt two private institutions, Ohio Wesleyan University, Delaware, Ohio, and St. Paul's Episcopal Church, Riverside, Connecticut, from paying import duties on European tracker organs. We must strongly protest these bills even being considered for passage!

We find it totally unfair and irresponsible to consider these bills for the following reasons:

- (1) If either of these bills should be passed, one would have to expect an ever-increasing number of organizations applying for similar bills.
- (2) There is absolutely no reason for these particular institutions to be exempt from import duty, while thousands of others have paid the same over the last 25 years.
- (3) While it may not have a large-scale economic impact on this country to see our tracker organ industry being treated unfairly, it is the very reasoning for these bills (in essence, that larger tracker organs of highest quality are supposedly not available, or at least not within a reasonable amount of time) that is an insult to the large number of fine organ companies in this country who have long surpassed the state of organ building in Germany or Austria. Having learned the trade in Germany, I can readily attest to this fact.
- (4) We certainly appreciate any fair competition from anywhere in the world, but we must voice our strongest protest against a bill that will allow foreign companies to sell their products in this country without any sales tax or duties, while all non-profit organizations in Germany, for example, are being penalized for buying products of our organ industry by having to pay 8% import duty, plus 15% sales tax -- and similar regulations are prevalent in other countries!

Continued....

Partners: Phares L. Steiner / Gottfried C. Reck

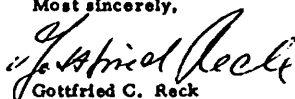
Passage of these bills would represent unfair treatment to everyone involved in the organ industry of this country.

In order to provide an environment which will continue to encourage the kind of artistic and progressive organ building that we have witnessed in this country, it is imperative that bills such as these are not passed.

We are enclosing a list of American organ companies who build outstanding tracker organs, most of which could easily build either of the organs in question within optimum time.

In closing, we wish to impress upon you the far-reaching consequences involved in this matter, and to urge you not to pass these bills.

Most sincerely,



Gottfried C. Reck
Vice-President
STEINER ORGANS, INC.

GCR/lw

Enclosure

cc: Hon. Romano Maszoli
2246 Rayburn Building
Washington, DC 20515

LIST OF AMERICAN ORGANBUILDERS

Abbott and Sieker	Los Angeles, California 90025
C. F. Adams	New York, New York 10014
Aeolian-Skinner	Randolph, Massachusetts
James F. Akright	Baltimore, Maryland 21217
Andover Organ Co., Inc.	Methuen, Massachusetts 01844
Philip A. Beaudry & Co.	Lowell, Massachusetts 01851
Gene R. Bedient Co.	Lincoln, Nebraska 68508
Berkshire Organ Co., Inc.	West Springfield, Massachusetts 01089
Joseph E. Blanton	Albany, Texas 76430
Richard L. Bond	California
Bozeman-Gibson and Company	Deerfield, New Hampshire 03037
John Brombaugh & Assoc.	Eugene, Oregon 97401
Joseph Chapline	Philadelphia, Pennsylvania 19119
Kenneth Coulter	Eugene, Oregon 97405
Jeremy Cooper	Concord, New Hampshire 03301
Jan van Daalen	Minneapolis, Minnesota 55427
Lynn A. Dobson	Lake City, Iowa 51449
C. B. Fisk, Inc.	Gloucester, Massachusetts 01930
Rubin Frels	Victoria, Texas 77901
Steuart Goodwin & Co.	Redlands, California
Paul Gunzelman	Washington, DC
Richard Hamar	Collinsville, Connecticut 06022
Hartman-Beaty Organ Co.	Englewood, New Jersey
Harvey & Zimmer	Dallas, Texas
Hendrickson Organ Co., Inc.	St. Peter, Minnesota 56082
Otto Hofmann	Austin Texas 78704
Hollender Organ Co.	Fresno, California
The Holtkamp Organ Co.	Cleveland, Ohio 44109
Kinzey-Angerstein Organ Co.	Wrentham, Massachusetts 02093
Dewey W. Layton	Florence, Colorado 81226
Lewis & Hitchcock	Silver Spring, Maryland 20910
Michael Loris	Barre, Vermont
McManis Organs, Inc.	Kansas City, Kansas 66104
M. P. Moller	Hagerstown, Maryland 21740
A. David Moore & Co.	North Pomfret, Vermont 05053
The Noack Organ Co., Inc.	Georgetown, Massachusetts 01833
Edwin Alan Ohl	Warrington, Pennsylvania 18976
Olympic Organ Builders	Seattle, Washington 98109
Martin Ott	St. Louis, Missouri 63124
George L. Payne	Richmond, Virginia
Lawrence Phelps and Assoc.	Erie, Pennsylvania 16512
Daniel F. Pilzecker & Co.	Toledo, Ohio 42609
Roy Redman	Fort Worth, Texas 76105
Reuter Organ Co.	Lawrence, Kansas 66044

Continued.

List of American Organbuilders - Continued

Roche Organ Company, Inc.	Taunton, Massachusetts 02780
Roderer Organ Company	Evenston, Illinois
Charles M. Ruggles	Cleveland, Ohio
Norman Ryan	Winston-Salem, North Carolina
St. Thomas Organ Company	Gardner, Massachusetts 01440
Schlicker Organ Co., Inc.	Buffalo, New York 14217
Robert L. Sipe, Inc.	Dallas, Texas 72531
Sipe-Yarbrough	Dallas, Texas
Steiner Organs, Inc.	Louisville, Kentucky 40203
Stuart Organ Company	Springfield, Massachusetts 01100
Michael Hartman Swinger	Carroll, Ohio 43112
Visser-Rowland Associates	Houston, Texas 77055
Ronald Wahl	Appleton, Wisconsin 54911
Charles R. Ward	Berea, Kentucky
Wicks Organ Co.	Highland, Illinois 62249
W. Zimmer & Sons, Inc.	Charlotte, North Carolina 28207



MANUEL ROSALES AND ASSOCIATES • ORGAN BUILDERS

160 NORTH GLENDALE BOULEVARD • LOS ANGELES, CALIFORNIA 90028 • (213)662-3222

FEBRUARY 5, 1980

MR. MICHAEL STERN, STAFF DIRECTOR
COMMITTEE ON FINANCE - ROOM 2227
DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, D.C. 20510

DEAR MR. STERN:

IT HAS RECENTLY BEEN BROUGHT TO OUR ATTENTION THAT TWO "PRIVATE" BILLS ARE BEING CONSIDERED BY CONGRESS (H.R. 3755 & H.R. 3317) WHICH WOULD EXEMPT OHIO WESLEYAN UNIVERSITY AND SAINT PAUL'S CHURCH IN RIVERSIDE, CONNECTICUT FROM PAYING IMPORT DUTIES ON THE LARGE MECHANICAL-ACTION ORGANS WHICH THEY HAVE RECENTLY PURCHASED FROM EUROPEAN FIRMS.

THE ARGUMENTS THAT HAVE BEEN MADE IN FAVOR OF THESE BILLS, THAT AMERICAN ORGANBUILDERS CANNOT PRODUCE LARGE ORGANS OF THE HIGHEST QUALITY WITH REASONABLE DELIVERY TIMES IS ABSURD. I AM ENCLOSEING A LIST OF BUILDERS WHO COULD HAVE PRODUCED THESE INSTRUMENTS. I AM ACQUAINTED WITH GERHARD HRADEZKY, THE BUILDER OF THE CONNECTICUT ORGAN, AND I KNOW THAT HE HAD NEVER BEFORE BUILT AN ORGAN AS LARGE AS THE ONE IN QUESTION. IT MAKES NO SENSE FOR AN AMERICAN INSTITUTION TO TRUST AN AUSTRIAN FIRM WITH LESS EXPERIENCE THAN SEVERAL AMERICAN COMPANIES WHICH COULD EASILY AND WILLINGLY PRODUCE AN ORGAN OF HIGHER OR EQUAL QUALITY. HOWEVER, SINCE THESE INSTITUTIONS DECIDED TO PURCHASE FOREIGN INSTRUMENTS, THEY SHOULD PAY THE PROPER DUTIES.

MOST AMERICAN ORGAN COMPANIES PURCHASE SMALL PARTS FROM EUROPEAN SUPPLY HOUSES. (THEY ARE THE LARGEST IN THE WORLD, AND MANUFACTURE MANY ITEMS NOT MADE IN THIS COUNTRY.) EACH TIME WE RECEIVE A SHIPMENT, WE PAY THE DUTY. IF THESE BILLS ARE PASSED, WILL WE BE ABLE TO IMPORT PARTS DUTY-FREE IN THE FUTURE ON THE GROUNDS THAT THE AMERICAN SUPPLY HOUSES DO NOT MAKE THESE PARTS AND THEIR DELIVERY TIME IS TOO LONG?

PLEASE DO NOT ALLOW THESE BILLS TO PASS. IT WOULD BE A LARGE STEP BACKWARD FOR THE AMERICAN ORGANBUILDING COMMUNITY AND FAIR TRADE IN GENERAL.

new organs, restoration, rebuilding, service

SINCERELY,

Manuel J. Rosales, Jr.
MANUEL J. ROSALES, JR.
OWNER

David J. Dickson
DAVID J. DICKSON
MEMBER, AMERICAN INSTITUTE OF ORGANBUILDERS

Stewart Goodwin
STEWART GOODWIN
MEMBER, AMERICAN INSTITUTE OF ORGANBUILDERS

Kevin Gilchrist
KEVIN GILCHRIST

Douglas Saxon
DOUGLAS SAXON

William A. Visscher
WILLIAM A VISSCHER

Rick Celestino
RICK CELESTINO

Cheryl Marquette
CHERYL MARQUETTE

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ASSOCIATED PIPE ORGAN BUILDERS OF AMERICA

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Builders that have constructed organs of 30 ranks and larger during the past 5 years.

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2027 PONTIUS AVENUE
LOS ANGELES, CA 90025

STEINER ORGANS, INC.
1138 GARVIN PLACE
LOUISVILLE, KENTUCKY 40203

ANDOVER ORGAN COMPANY, INC.
P. O. BOX 36
METHUEN, MASS. 01844

W. ZIMMER & SON, INC.
P. O., BOX 11024
CHARLOTTE, NORTH CAROLINA 28209

BOZEMAN-GIBSON AND COMPANY, INC.
RFD 1
DEERFIELD, N.H. 03037

STUART GOODWIN & Co.
231 SOUTH CARONDOLET STREET
LOS ANGELES, CA 90057

JOHN BROMBAUGH & ASSOC., INC.
2882 WINDGATE
EUGENE, OREGON 97401

JAN VAN DALEN
6809 MEDICINE LAKE ROAD
MINNEAPOLIS, MINNF SOTA 55427

C. B. FISK, INC.
P. O. BOX 28
GLOUCESTER, MASS. 01930

RUBIN S. FRELS
307 NORTH VINE STREET
VICTORIA, TEXAS 77901

HENDRICKSON ORGAN COMPANY, INC.
1403 NORTH 5TH STREET
ST. PETER, MINNESOTA 56082

OTTO HOFMANN
610 CARDINAL LANE
AUSTIN, TEXAS 78704

THE HOLTkamp ORGAN COMPANY
2909 MEYER AVENUE
CLEVELAND, OHIO 44109

THE NOACK ORGAN COMPANY, INC.
MAIN AND SCHOOL STREETS
GEORGETOWN, MASS. 01833

SCHLICKEr ORGAN Co., INC.
1530 MILITARY ROAD
BUFFALO, NEW YORK 14217

ROBERT L. SIPE, INC.
7307 FENTON DRIVE
DALLAS, TEXAS 72531

McMANIS ORGANS, INC.

TELEPHONE: (913) 321-0000

TENTH AND GARFIELD
KANSAS CITY, KANSAS
66104

Feb. 6, 1980

Mr. Michael Stern, Staff Director,
Committee on Finance, Room 2227,
Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Mr. Stern:

Purpose of this letter is to protect passage of bills HR 3755 and HR 3317 which would exempt two private institutions, Ohio Wesleyan University of Delaware, Ohio, and St. Paul's Episcopal Church, Riverside, Conn., from paying import duties on their large European tracker organs.

As a member of the Associated Pipe Organ Builders of America, the American Institute of Organbuilders and president of this firm I object strongly to the pending exemption for these reasons:

1. At least a dozen American organbuilders are capable of building noteworthy instruments of the calibre desired, with the obvious benefits to our American economy and balance of trade problems, and
2. In failing to protect American organbuilders with rightfully imposed import duty the Treasury loses \$29,750 in taxes at a time when it needs all the tax dollars it can get.

Presumably HR 3317 has passed the House Committee by voice vote but is now pending before the Senate Subcommittee on International Trade of the FINANCE COMMITTEE.

I strongly urge that the Congress encourage rather than destroy a climate of growth in a fair competitive environment for its outstanding American organbuilders.

Best wishes to you and your Committee in their deliberations.

Sincerely yours,

Charles W. McManis
Charles W. McManis, President
McManis Organs, Inc.

cc: Senator Robert Dole

CHARLES M. RUGGLES
PIPE ORGAN BUILDER



3026 Fairmount Blvd., Cleveland, Ohio 44118

February 6, 1980

Mr. Michael Stern, Staff Director
Committee on Finance
Room 2227
Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Stern:

I have recently become aware of two "private" bills being considered by the U.S. Congress which have direct bearing on the American organ-building industry. These are bills H.R. 3755 and H.R. 3317 to exempt two private institutions, Ohio Wesleyan University, Delaware, OH, and St. Paul's Episcopal Church, Riverside, CT, from paying import duties on their large European tracker organs plus components (builders Klais and Hradetzky respectively).

The arguments for these bills run generally as follows: large tracker organs of the highest quality are not available from the American builders, and even if one or two companies are able, the waiting period is so long as to be prohibitive for prospective buyers. Further, as "private" bills, they are "one-time" propositions for particular relief of particular institutions.

The allegation that large, quality instruments are not available from American organ-builders is simply not true. I have enclosed a list from The Tracker Organ Revival in America, compiled and edited by Uwe Pepe, ISBN 3-921140-16-1, of firms building tracker organs in Canada and the United States. While I have not heard or played organs by all of these builders, I can vouch from personal experience for the high quality of the instruments built by at least twenty of the American builders. Many of these builders are constructing organs of much higher quality than the two firms Klais and Hradetzky. There are five builders in Ohio alone, who might have been considered to build the Ohio Wesleyan University organ. (See the enclosed list) To the best of my knowledge none of them were contacted.

Not all of the builders have waiting periods which would be considered "prohibitive" by any standards. In this business it is normal to expect a waiting period of one to four years. I know two American builders personally who have waiting periods of four

years or more. However, most of the others with whom I have spoken have waiting periods of one to three years. Most of the European builders have waiting periods of at least eighteen months.

I do not object to institutions in this country buying imported products. This is a free country and we ought to be able to purchase equipment from whatever source we may desire. I import certain parts for organ building, as do many other American builders. We all pay import duty on these parts.

I feel that it is unfair to allow certain organizations to purchase imported organs duty-free, simply because of the false claim that large tracker organs of the highest quality are not available from American builders, and that delivery times are prohibitive. It is important to me that Congress hear from our already quite outstanding tracker organ-building industry, so that a climate of encouragement and growth in a fair competitive environment will be secured for the future. We should try to support our American economy by encouraging our own builders, rather than promoting more imports. With the passage of these bills, who is willing to guarantee absolutely that further bills of this sort will not be requested by many more institutions, both past and future?

I hope that you will give this matter serious thought before you consider encouraging Americans to buy foreign organs instead of domestic ones. Perhaps the low import duties on foreign automobiles and steel have caused the American industries to be unable to compete with foreign prices, resulting in layoffs, unemployment and a slump in our economy. I suggest we support our own economy.

Sincerely yours,

Charles M. Ruggles

Charles M. Ruggles

Richard L. Ruggles

Richard L. Ruggles, partner

cc. Ribicoff
Talmadge
Byrd
Gravell
Moynihan
Beucus
Bredley
Roth
Danforth
Hines
Dole
Chaffee

Opus Lists of American and Canadian Organbuilders

The Opus Lists of American and Canadian organbuilders contain information — as much as the would release — about all organs installed in the USA with slider-chests and mechanical key-action. Organs with other types of chests or those with all-electric action such as electropneumatic key-action, and instruments installed outside the USA, for example in Canada or Europe, are not contained in the following list.

The arrangement of the list and the abbreviations used are the same as in Part II. The reader is referred to the introduction of Part II.

The following firms are known to build mechanical organs:

- | | |
|------------------------------|---------------------------------------|
| Abbott and Sicker | Los Angeles, California 90025 |
| C. F. Adams | New York, New York 10014 |
| Aeolian-Skinner | Randolph, Massachusetts |
| James F. Akright | Baltimore, Maryland 21217 |
| Andover Organ Co., Inc. | Methuen, Massachusetts 01844 |
| Philip A. Beaudry & Co. | Lowell, Massachusetts 01851 |
| Gene R. Biedert Co. | Lincoln, Nebraska 68508 |
| Berkshire Organ Co., Inc. | West Springfield, Massachusetts 01089 |
| Joseph E. Blanton | Albany, Texas 76430 |
| Richard L. Bord | California |
| Bozeman-Gibson and Company | Deerfield, New Hampshire 03037 |
| John Brombaugh & Assoc. | Eugene, Oregon 97401 |
| Casavant Frères | St. Hyacinthe, Quebec, Canada |
| Joseph Chapline | Philadelphia, Pennsylvania 19119 |
| Kenneth Coulter | Eugene, Oregon 97405 |
| Jeremy Cooper | Concord, New Hampshire 03301 |
| Jan van Daalen | Minneapolis, Minnesota 55427 |
| Lynn A. Dobson | Lake City, Iowa 51449 |
| C. B. Fisk, Inc. | Gloucester, Massachusetts 01930 |
| Rubin Frels | Victoria, Texas 77901 |
| Steuart Goodwin & Co. | Redlands, California |
| Paul Gunzelman | Washington, D. C. |
| Richard Hamar | Collinsville, Connecticut 06022 |
| Hartman-Beatty Organ Co. | Englewood, New Jersey |
| Harvey & Zimmer | Dallas, Texas |
| Hendrickson Organ Co. Inc. | St. Peter, Minnesota 56082 |
| Otto Hofmann | Austin, Texas 78704 |
| Hollender Organ Co. | Fresno, California |
| → The Holtkamp Organ Company | Cleveland, Ohio 44109 |
| Kinzey-Angerstein Organ Co. | Wrentham, Massachusetts 02093 |
| Gabriel Knezy & Co. | London, Ontario N5W 4Z2, Canada |
| Dewey W. Layton | Florence, Colorado 81226 |
| Lewis & Hitchcock | Silver Spring, Maryland 20910 |
| McLael Loris | Barre, Vermont |
| McManis Organs, Inc. | Kansas City, Kansas 66104 |
| M. P. Möller | Hagerstown, Maryland 21740 |



Stanford
Residence of Don and Jill Knuth
Abbott and Sicker, 1975

Organ Lists of American and Canadian Organbuilders

- A. David Moore & Co.
 The Noack Organ Co., Inc.
 Edwin Alan Obi
 Olympic Organ Builders
 Martin Ott
 George L. Payne
 Lawrence Phelps and Ass.
 → Daniel F. Pilschker & Co.
 Roy Rodman
 Reuter Organ Co.
 Roche Organ Company, Inc.
 Roderer Organ Company
 → Charles M. Ruggles
 Norman Ryan
 St. Thomas Organ Company
 Schlicker Organ Co., Inc.
 Robert L. Sipe, Inc.
 Sipe-Yarbroough
 Steiner Organs, Inc.
 Stuart Organ Company
 → Michael Hartman Swinger
 Visser-Rowland Associates
 Ronald Wahl
 Charles R. Ward
 Wicks Organ Co.
 Karl Wilhelm, Inc.
 Hellmuth Wolff
 W. Zimmer & Sons, Inc.
 → Jan G. P. Leek
- North Pomfret, Vermont 05053
 Georgetown, Massachusetts 01833
 Warrington, Pennsylvania 18976
 Seattle, Washington 98109
 St. Louis, Missouri 63124
 Richmond, Virginia
 Erie Pennsylvania 16512
 Toledo, Ohio 43609
 Forth Worth, Texas 76105
 Lawrence, Kansas 66044
 Taunton, Massachusetts 02780
 Evanston, Illinois
 Cleveland, Ohio
 Winston-Salem, North Carolina 27108
 Gardner, Massachusetts 01440
 Buffalo, New York 14217
 Dallas, Texas 75231
 Dallas, Texas
 Louisville, Kentucky 40203
 Springfield, Massachusetts 01100
 Carol, Ohio 43112
 Houston, Texas 77055
 Appleton, Wisconsin 54911
 Berea, Kentucky
 Highland, Illinois 62249
 Mont St. Hilaire, Quebec J3G 4S6, Canada
 Laval, Quebec H7E 4P4, Canada
 Charlotte, North Carolina 28207
 Oberlin, Ohio 44074

Some of the organs listed under the name of American organbuilders were built entirely by
 A. LAUKMAYR, Germany

H. J. EBERT

MAINTENANCE - REPAIR - REBUILDING

Pipe Organs

210 Natchez Street

Pittsburgh, Pennsylvania 15211

Phone: 431-7308

Feb. 10, 1980

Mr. Michael Stern, Staff Director
Senate Committee on Finance
Washington, D.C. 21510

Dear Mr. Stern,

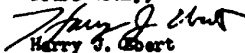
It has come to my attention that there are two bills, #HR3755 and #HR3317 being introduced into Congress that will allow pipe organs to be imported into this country duty free. I feel that this would be a serious mistake. It has been claimed by those who are importing two pipe organs, that the organs required cannot be obtained from domestic organ builders.

This is not the case. There are at least six major organ builders and most likely ten to fifteen of the smaller builders that could build any kind of pipe organ required.

Please register my opposition to the passage of these bills with your committee.

Thank you for your attention in this matter, I remain,

Yours truly,


Harry J. Ebert



SHOP: (612) 781-2332
 CLARENCE GOULD: (612) 633-3086
 STEVE LETHERT: (612) 633-0610

J. R. Gould and Sons, Inc.

PIPE ORGAN BUILDERS / 3820 FOSS ROAD / MINNEAPOLIS, MINNESOTA 55421

copy

February 9, 1980

Senator Dave Durenberger

Dear Senator Durenberger:

I am writing to you to ask you to consider voting against bills H.R. 3755 And H.R. 3317.

These bills favor the foreigner and give the tax paying hardworking middleclass american another kick in the face. A small brake for the American people would be nice for a change.

Sincerely,

Clarence h. Gould

CIG/eg

Manufacturer's Representative of M. P. Möller, Incorporated

A Quarterly for Those with a Serious Interest in the Organ

Dave F

ART OF THE ORGAN

POST OFFICE BOX 576, ALBANY, TEXAS 76009

EDITORS:

JOSEPH E. BLANTON
POST OFFICE BOX 186
ALBANY, TEXAS 76009

GEORGE L. BOZEMAN, JR.
56 MAPLE AVENUE
ANDOVER, MASS. 01910

THOMAS MCBETH
110 SPRUCE STREET
PRINCETON, N.J. 08540

10 February 1980

Committee on Finance
United States Senate
c/o Mr. Michael Stern, Staff Director
Washington, D.C. 20510

Gentlemen:

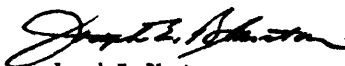
It has come to my attention that two private bills, H.R.3317 and H.R.3755, are now in your committee for consideration. I am informed that these bills provide for the exemption from customs duties of two organs to be imported from Europe, such exemption being on the claim of the importers that the organs required cannot be obtained from any domestic organ builder.

I can testify unequivocally that there is no type of pipe organ built by foreign builders which cannot be built as well by organbuilders in the United States. The passage into law of these bills would not only set a dangerous and pernicious precedent but also would reward the importers for contributing to this country's current unfavorable balance of trade.

My qualifications as an "expert witness" are: I have conducted research on the subject of pipe organs for twenty-five years; I am the author of *THE ORGAN IN CHURCH DESIGN* (1957) and *THE REVIVAL OF THE ORGAN CASE* (c1965), both of which books are in many libraries abroad as well as throughout the United States; I was senior editor of the quarterly magazine, "Art of the Organ" (no longer published due to inflation and exorbitant postal rates); I have built in my own shop two experimental pipe organs; I have been invited to address the coming Congress of the International Society of Organbuilders which is to meet in the United States and Mexico for its first meeting outside of Europe in the existence of that highly respect professional organization.

I respectfully urge your committee not to report these bills favorably to the Senate.

Sincerely yours,



Joseph E. Blanton

The
University
of
Connecticut
EST. FEB -6 AM 9 22

STORRS, CONNECTICUT 06268

SCHOOL OF FINE ARTS
Department of Music

82 Willowbrook Road
Storrs, Conn. 06268
29 January 1980

Senator Abraham Ribicoff
United States Senate
Washington, D. C. 20510

Dear Senator Ribicoff:

I am writing to you in my capacity as University Organist at the University of Connecticut and Director of Music at St. Mark's Chapel. It has come to my attention that St. Paul's Episcopal Church in Riverside, Conn. has a bill before your committee [Bill # H. R. 3755] in which they are attempting to avoid the payment of import duty on their ~~organ~~. It is not true that they could not have purchased as fine an instrument in this country. As a matter of fact the American organ builders compare in quality with any in the world. If import duty was of such consequence, why did they not buy an organ from an American builder. Why should they object to a mere 2% duty when, it is my understanding, our own organ builders must pay 14% duty when they export to Austria. I see no reason why this church should be granted special privileges. The same reasoning applies to [Bill # H. R. 3317] which is a like instance coming from Ohio Wesleyan University.

I understand that these measures are coming before the Senate on February 5th and I can only hope that you will vote appropriately so that all institutions in our country will pay the same import duty. Thank you for your consideration. I am a long time admirer of your outstanding record in our state and nation.

Sincerely,
Virginia H. Herrmann
Virginia H. Herrmann

TESTIMONY
OF
EUGENE A. MARCH, CHAIRMAN
TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE ADVISORY COMMITTEE
BEFORE
THE
SENATE FINANCE COMMITTEE. SUBCOMMITTEE ON INTERNATIONAL TRADE

My name is Eugene A. March, and I am a group vice president of Colt Industries and chairman of the Advisory Committee for the Tool and Stainless Steel Industry Committee, an association of America's major specialty steel producers. I wish to testify in opposition to H.R. 2535, the duty suspension bill on chipper knife steel.

My opposition, and the opposition of the specialty steel industry, to H.R. 2535 rests on the proposition that a duty suspension on individual steel products, like chipper knife steel, is an attack on the specialty steel industry of the United States. Indeed, duty suspension bills on individual steel products weaken the competitiveness of the United States steel industry in general.

For those unfamiliar with chipper knife steel, it is a specialty steel used to make industrial knives known as "chipper knives". These industrial knives are used to process wood in the production of paper and a lumber of products.

Any specialty steel company is capable of producing this fundamental alloy steel product. Presently, only one U.S. specialty steel producer, Guterl in Lockport, New York, produces chipper knife steel. Yet only a decade ago, there were three American producers of this steel product. Two of them, Bethlehem and Cyclops, have discontinued production on chipper knife steel because of the strain of foreign competition.

Guterl serves a substantial portion of the domestic market for this steel. Guterl has served domestic consumers well by expanding its production better than five times since 1977. During this period, Guterl's cost for the production of this product has increased with inflation; yet, their prices have remained relatively stable.

The American specialty steel industry, is technologically competitive. It is, as a consequence, capable of competing on fair terms with any specialty steel producer in the world. Suspension of the duty on this steel product would radically alter the terms of competition on this product and provide foreign producers of this product a distinct advantage. On behalf of the specialty steel industry of the United States, I urge you to reject H.R. 2535, and in so doing, afford the specialty steel industry a chance to retain its capacity to product a wide variety of products for domestic and international consumers.

Thank you.

February 29, 1980

Chairman Harry F. Byrd
Senate Finance
Taxation and Dept. Management
Subcommittee
2221 DSOB
Washington, D.C.

Dear Senator Byrd:

We understand that your subcommittee is considering S1900, a bill to amend the International Revenue Code of 1954 with respect to the treatment of casualty losses in the cases of fruit and nut trees.

Western Growers Association strongly supports this legislation. We request that this statement be made a part of the hearing record.

Thank you for your consideration of this most important matter.

Sincerely,



Thomas A. Hammer
Western Growers Association
Washington Representative

WESTERN GROWERS ASSOCIATION

S1900 - A Bill to Amend the International Revenue Code of 1954
with Respect to the Treatment of Casualty Losses in the
Cases of Fruit and Nut Trees.

Western Growers Association is a trade association which represents growers and shippers of fresh fruit and vegetables in Arizona and California.

Among the 1600 members are citrus growers in both states, as well as growers of many other fruit and nut crops.

The fact that the heavy rain and high waters of the past few weeks did not cause permanent damage to trees, only serves to point up the constant threat of natural disaster that hangs over farmers. This near miss threatened thousands of acres of tree crops in both Arizona and California, most of them mature groves, particularly in the Ventura County area of California.

Only a few more inches of high water could have breached levees with a resulting flood sweeping through citrus groves in the area.

Western Growers Association strongly supports S1900, a bill allowing fruit and nut producers a tax deduction for a casualty loss incurred to nut and fruit trees. Such a deduction will be equal to their "fair market value" on the date on which this loss occurred. Currently, the tax laws allow a person who suffers a casualty loss to deduct the loss from the current years' income; but, the deduction is limited to the lesser of the "fair market value" of the items destroyed or the persons "basis" in such property. Generally no basis is acquired in fruit and nut trees other than the initial planting cost. This cost is often minimal because the trees were planted by the individual grower many years earlier. As a result, the basis or book value may approach zero. Additionally, the grower may have chosen to "capitalize" his grove and after taking the allowable depreciation the book value may be zero.

Also S1900 would permit an individual to carry back the excess loss deduction ten years and if necessary he could carry the loss forward an additional four years in the event that the tax payers loss were greater than his income for the loss year. Liberlizing the carry-back and carry-forward provisions of the tax code would allow the fruit and nut producer who experienced the loss to be able to generate a "pool of capital" by means of tax refunds which would enable the grower who suffered the economic loss caused by a disaster to get back on his feet and reestablish his grove.

Western Growers Association recognized that S1900 would make a special exception to the Internal Revenue Code in the case of casualty losses to fruit or nut trees. However, due to the unique situation regarding nut and fruit production, we believe that such consideration are entirely justified. As we stated earlier, there is enormous

capital investment in such trees. There is no insurance available. It takes, in most cases, many years to nurture the trees into production. Many times trees planted years ago, have a basis or book value equal to zero.

Natural disasters such as hurricanes, floods, or heavy rains can destroy in a matter of hours what it has taken years to develop into productive groves. For these reasons, Western Growers Association feels that the provisions in S1900 are well justified. Nut and fruit producers operate under enormous risk. The passage of S1900 would go a long way toward resolving one of the major risks and enable a producer to replant his groves after a disaster, and thus continue to provide high quality and reasonably priced produce to the consumer.

Thank you for your consideration of this important matter. We urge your adoption of S1900.



GLOBE Battery Division • GLOBE-UNION INC.

January 29, 1980

The Honorable Walter D. Biddleston
Dirksen Senate Office Building
Washington, DC 20510

FEB 7 1980

Dear Senator Biddleston:

This is written to ask your support for Globe-Union Inc. and the lead consuming industry in legislative efforts to repair a damaging increase in the rate of duty on unwrought lead imports (TSUSA 626.0350).

Effective January 1, 1980, as a result of changes negotiated in the "Tokyo Round" of multilateral trade negotiations, the duty on unwrought lead was converted from the specific rate of duty of 1.0625 cents per pound to an ad valorem rate. Unfortunately for lead consumers, the price of lead rose precipitously from approximately 21¢ to over 60 cents per pound. The application of an ad valorem rate to so price sensitive a commodity is a severe blow to consumers of lead.

On December 11, 1979, Congressman Frenzel introduced HR 6089 which would delay the conversion of the rates of duty on lead until January 1, 1982. On the same day, Senator Nelson, in a colloquy with Senator Long, indicated his support for a change which would provide relief from the excessive increase. We expect a Senate bill similar to the House bill will be offered early in the Senate session.

Globe-Union is a significant consumer of lead, with a battery manufacturing plant in your district. We ask that you contact the office of Congressman Frenzel and/or Senator Nelson for their views on this issue. We are confident that you will support legislative actions which will be taken to return the duty on lead to a fair and equitable level.

Sincerely,

William M. Schmidt
Plant Manager
GLOBE-UNION INC.

ESB RAY-O-VAC CORPORATION
 Subsidiary of BICO Limited, A Canadian Company



446 7 1087

Corporate Headquarters
 8 Penn Center Plaza
 Philadelphia, Pa. 19103

December 28, 1979

The Honorable Walter D. Huddleston
 U. S. Senate
 Washington, D.C. 20510

Dear Senator Huddleston:

Barring a sudden reversal of plans, the tariff on imports of unwrought lead will rise on January 1 by approximately one cent per pound, to about double the current rate.

This is the unintended result of a change in the way in which the tariff is calculated. In the recent Tokyo round of tariff negotiations, the United States Trade Representative (STR) decided to change the present lead tariff of 1.0625¢ per pound to an "ad valorem" tariff. This was originally set at 4.0 percent in the expectation that it would be a tariff reduction. In the course of bilateral negotiations with Mexico, this has been further reduced to 3.5 percent. But with the sharp increase in lead prices, this will still be a doubling of the current tariff, when it becomes effective January 1.

This radical tariff increase will affect not only the lead industry, but ultimately the American consumer, on whom the total adverse impact will exceed thirty million dollars annually. This is hardly the kind of "tariff reduction" envisioned in the Tokyo round.

Efforts to persuade the STR to reduce the lead tariff to a more reasonable level proved unavailing. Accordingly, Congressman Frenzell, Gibbons, Moore and Vento introduced H.R. 6089 in the House on December 11. On the same day Senators Long and Nelson made clear on the Senate floor that this effort would receive early Senate action next year. (See attached Congressional Record excerpts.)

As your constituents, we strongly urge you to support this legislation and would very much appreciate having your views on this issue.

Sincerely yours,

Alan Noble
 Plant Manager
 Exide Company
 P. O. Box 1500
 Richmond, Kentucky

Attachment



WASHINGTON, PENNSYLVANIA 15301
(412) 222-4000



February 14, 1980

BENNETT SACK
PRESIDENT

The Honorable Russell B. Long
217 Russell Senate Office Bldg.
Washington, D.C. 20510

002 1/11/80

Dear Senator Long:

I have just read the statements made to the Senate Finance Committee on February 5 by representatives of Bethlehem Steel Corporation and Guterl Special Steel Corporation, both of whom expressed opposition to H.R. 2535, a bill to suspend the duty on chipper knife steel. I hope you will be interested in Jessop's view of this bill.

Until the early 1970's Jessop Steel produced chipper knife grades at its steel mill in Washington, Pa. Because of intensive price cutting from foreign producers Jessop stopped making and selling chipper knife steel at that time, since it was no longer able to sell at a profit.

During the last three years Jessop has made a multi-million dollar investment in facilities. We have recently determined that a portion of this new equipment is capable of making chipper knife steel by a different process than we formerly used. We have taken trial orders from two domestic users of chipper knife steel, at a selling price comparable to imported steel, in order to verify our capability to produce this product. At this price we expect the trial orders to result in breakeven performance.

We are willing to entertain a certain amount of business at breakeven today because 9.4% of our union work force of 670 was on layoff last week. We prefer to have these men working at breakeven, rather than run the risk of permanently losing some highly skilled steelworkers. In the long run, however, if our customers are satisfied with Jessop's chipper knife steel, we must sell at a profit. Our policy in this regard is simple. If we break even or better, we will produce; if we must sell at a loss we will get out of the business.

Suspension of the duty on chipper knife steel as proposed by H.R. 2535, will almost certainly have the effect of eliminating Jessop as a born-again supplier of chipper knife steel. Neither we nor our workers want to see that happen. I therefore urge you to vote against H.R. 2535 in the interests of our participation in this business, the increased employment it will generate in Southwestern Pennsylvania, and the opportunity it will provide for Jessop to earn some money with which to continue modernizing its facilities in order to assure our long-term survival.

Sincerely,

Bennett Sack

BS/pc

VISSER-ROWLAND ASSOCIATES

ORGANBUILDERS

INCORPORATED

2033 JOHANNA

SUITE B

HOUSTON, TEXAS

77055 USA

713 / 688-7346

29 February 1980

Senator Russell B. Long, Chairman
Senate Committee on Finance
2227 Dirksen Building
Washington, D.C. 20510

Dear Senator Long:

Two private bills, HR 3317 and HR 3755, are now pending action in your committee. These bills provide for the relief of customs duty from pipe-organs purchased from European firms for private institutions, a church in one case, and Ohio Wesleyan U. in the other.

Our industry strongly objects to this relief. Contrary to prior testimony, there has been a very viable, albeit struggling pipe-organbuilding industry in this country since days before the 1776 Revolution. Since the mid '60's, we have been equalling the quality available from Europe, and now there is absolutely no question that most of us builders surpass it by a great margin. While some of us do have relatively long deliveries (attesting to our quality), some of us can compete for speed of delivery with the Europeans.

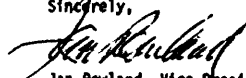
Much of the testimony for passage of these two bills in the House Report on Miscellaneous Trade and Tariff Bills of 27 July is misleading, exaggerated, or downright false. I hesitate to enumerate exactly which is false, as it would require the virtual quoting of half the testimony and refuting each piece in turn. However, I certainly stand ready to do this if you request.

Unfortunately, our industry is not rich enough to permit many, if any of us to come to Washington to testify. Indeed, we learned of the deadline for doing so only two days before the date! It appears to most of us that we are "getting the short end of the stick" and we urge you to do what you can to stop the passage of these bills, as they have no just basis.

Further, some parts of organs are manufactured only in Germany, and we have to pay duty on these items for our own domestic production. It seems doubly unjust, then, that others should be able to get complete instruments duty-free. The organ industry in this country very much needs the protection of duty on complete imported organs, and more.

Your attention to these matters will be very much appreciated by a growing number of excellent American craftsmen and small businesses!

Sincerely,



Jan Rowland, Vice President

Photocopies: Each Sen. Fin. Com. member
Each APOBA member
Selected AIO members
The President of the United States

MEMBER: International Society of Organbuilders, American Institute of Organbuilders
Assoc. Pipe Organ Builders of America

S 5

BERKSHIRE ORGAN COMPANY INC.

66 SOUTH BOULEVARD • WEST SPRINGFIELD • MASSACHUSETTS • 01099 • (413) 734-3311

Pipe Organ Architects & Builders

DAVID W. GOSWELL
ROSLAND W. TOELKEN
ROBERT R. FAUCHER

PROBATION AND OFFICE LOCATED
THE UNIVERSITY
THE PRESIDENT-DALLAS AND SERVICE

March 10, 1980

Senator Russell B. Long, Chairman
Senate Committee on Finance
2227 Dirksen Building
Washington, D. C. 20510

Dear Senator Long,

We are much concerned about two private bills, HR3317 and HR 3755 which we understand await action by your committee. These bills would excuse customs duty on two pipe organs being purchased from German and Austrian firms by Ohio Wesleyan University and a church in Connecticut.

We have read the testimony given in support of these bills and find it untrue and misleading. The statements made by Thomas B. Wenzlau, President of Ohio Wesleyan University and The Honorable Samuel L. Devine, Representative of Ohio may contain outright lies that are not even arguable. The specifications for the organ laid down by Ohio Wesleyan are completely obtainable in the highest degree of quality in the world by a number of American organ builders here in the United States and they are also available at reasonable delivery times and are more than competitive with any European source. There is absolutely no legitimate reason whatever for anyone in this country to buy organs elsewhere- for artistic, musical, functional, reliability, durability or economic - all of which features can be achieved in a superior way in this country by at least a dozen builders and within the same time frame.

Further, the artisan organbuilding industry in this country is hard pressed to maintain itself because of lack of state or government controls upon organbuilders. The American market is exposed to a vast number of self-styled or untrained builders offering their cheap work at cut-rate prices. This makes it difficult for the quality builder to maintain an adequate volume of business especially when Europeans are allowed also to compete easily. The nucleus and artistic core of the American organ building industry is therefore substantially threatened by these bills especially considering that a high percentage of parts and materials employed by American artisan organ builders also are imported and also are taxed by duty to the American manufacturer.

We have seventeen (17) builders in New England alone, most of whom could have built both of these organs in a superior, more artistic way and at a lower cost than the European firms have selected. There are also other organ builders throughout the United States that could have done the same- and I am referring specifically to the five (5) prerequisites outlined by Thomas Wenzlau for an organ.

MEMBER: AMERICAN INSTITUTE OF ORGANBUILDERS (AIO)
INTERNATIONAL SOCIETY OF ORGANBUILDERS (ISO)

We might make the point also that perhaps the American market needs a bit of protection from self-serving representatives and previous purchasers of European organs who constantly tell lies and misrepresent these matters. I am convinced, for example, that Mr. Wenzlau probably was reciting statements made to him by a faculty member who also happens to be a sales representative of the European firm from whom he purchased the organ - and not information of his own knowledge. While the organ he has purchased is without question everything he expects it to be, he has been duped into spending far more than necessary to obtain such an instrument because he could have purchased an equal or better instrument in this country if he had been guided by objective advisors.

The excellence of instruments now available in this country may be somewhat new because the industry here has experienced re-education about organ building standards only in the last fifteen years, although this has to do only with matters not effecting reliability or durability which have always been superior to European work. Our industry is one of the few remaining vestiges of true individual craftsmanship and creativity; it needs to be nurtured, honored, and supported by our government not stamped on, ignored and denied as Mr. Wenzlau teaches.

We urge you to recommend defeat of these bills to recognize the interests of a small and impoverished industry, defiantly staying alive since before the American Revolution.

Sincerely,



David W. Cogswell, Master Organbuilder
 President and Artistic Director
 (Founder of the American Institute of Organ Builders)
 (Member of the Organ Historical Society and
 the American Guild of Organists and
 the International Society of Organbuilders)

cc: Senate Finance Committee Member
 • Senator Tsongas (MA)
 Senator Edward Kennedy (MA)
 Thomas E. Wenzlau

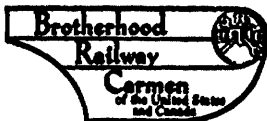
Selected Members of the American Institute of Organ Builders
 The President of the United States

ANTHONY J. RUSSO
General Chairman

ALFRED W. MARTINO
Vice Chairman

BRUCE SCARBOLIA
Dist. Pro. Bd.

QUEENS LODGE No. 886 - LOCAL PROTECTIVE BOARD



Affiliated With AFL-CIO and CLC

Office: 80-24 Sutphin Blvd.
Jamaica, New York 11435
Tel. 287-2233

March 3, 1980

Senator Russell Long
Senate Office Building
Washington, D.C. 20510

Dear Senator Long:

It has been brought to our attention that bills H.R. 3046 and S. 1004 are presently before the Senate Finance Committee.

On behalf of the members of this organization, I strongly urge you to oppose H.R. 3046 and S. 1004. These bills will eliminate the 18% duty on imported freight cars thereby transferring this industry out of the United States.

At a time when unemployment is rising, these bills will cause many thousands of railroad craftsmen to lose their jobs. These bills must not reach the Senate floor.

This erosion of a United States industry is occurring at a time when other manufacturing jobs are shrinking - because of energy related problems which this industry can help reduce. The railroad industry is increasingly important in the future as the United States faces energy problems in the 1980's. We have the workforce to supply our needs. Many of our jobs are at stake if these bills are passed.

To reiterate, it is imperative that you vote against these bills. Attached is a Fact Sheet for your information.

Very truly yours,

Anthony J. Russo
General Chairman

AJR:eg

SOME FACTS AND MYTHS ABOUT THE FREIGHT CAR DUTY BILL (H.R. 3046)

FACT: Suspension of the 18% duty on freight cars for two years won't produce one additional freight car and won't move one additional ton of cargo. There is no way any foreign supplier can increase his capacity during the coming two year period. The duty suspension will give railroad car lessors and car purchasers a \$9 million windfall.

FACT: The U. S. freight car producing industry is a stable, efficient industry that provides 63,000 jobs to steelworkers, machinists, electrical workers, carmen, boilermakers and others, which has met all previous shortages and is now expanding to meet U. S. needs.

FACT: When a duty suspension is voted, it has been historically a clear signal to multinational corporations and foreign producers to expand their capacity in that industry; it has also been a signal to domestic firms to abandon any expansion plans and to consider relocation abroad.

FACT: The duty suspension bill is not for the relief of Mexico. It will be a bonanza to Canada (a larger exporter to the U.S.) and to all other exporters of railroad equipment to the U.S., including Romania, Brazil, and Korea, and could, in the long run, hurt the balanced U.S.-Mexican Trade.

FACT: The U.S. is buying every freight car that Mexico has for export -- at 18% duty. Mexico's car building industry is booked to capacity; so is Canada's. In fact, Mexico is now receiving critically scarce freight car parts from the U.S., reducing the U.S. ability to manufacture additional freight cars.

FACT: The U. S. car-building industry is cyclical and today's record demand can evaporate tomorrow in the recession, as car orders are cancelled. Already new car orders have levelled off. As recent as 1976, industry orders were approximately one half of capacity. (See attached chart). However, once overseas expansion is encouraged by this bill and imports soar, U.S. plants will close and jobs will disappear.

FACT: Mexico has enjoyed a unique preference whereby its freight car exports were allowed to enter the U.S. duty free. However, the preference limits were exceeded and Mexico lost that advantage. There is strong likelihood that Mexico will requalify for preference later this year. Such an action would confine the benefits of duty-free entry to Mexico alone - a greater benefit than duty suspension and in line with the goals of the U.S. trade laws.

FACT: The domestic car building industry has an estimated production capacity of 85,000 to 90,000 cars a year; more than ample to satisfy the sustained demand for freight cars which has averaged 67,000 cars per year since 1966.

FACT: Canada has a car building capacity of 12,000 cars per year of which approximately 6,000 are used domestically. Mexico has a capacity of 5,000 cars per year. Both countries can sell into the U.S. every car made - with the 18% duty. Increased exports to the U.S. will worsen the U.S. balance of payments deficit.

FACT: U. S. builders are committed to increased capacity, but duty suspension will discourage expansion. The PNC plant in Oregon has announced a plant expansion of 50% capacity; many U.S. plants - if the heavy demand remains - can tool up to increase production of roller bearings and castings - thus enabling U.S. railcar manufacturers to add additional shifts and increase daily output.

FACT: In every bumper grain year - including the years of record grain shipments to Russia - the freight car needs have been met. There have been delays but no agriculture crops or other bulk cargoes have been lost.

FACT: U. S. freight cars help meet the energy need of America and the freight car construction is an industry that will expand to provide more - not fewer - jobs in the 1980s, thus lessening the need for federal dollars in CETA programs and displacement payments to discharged workers.

*Brotherhood Railway Carmen
of the United States and Canada
Affiliated with A.F.L.-C.I.O. and C.R.C.*

Office of

W. O. Hearn, Assistant General President

Carmen's Building-4929 Main Street

Kansas City, Missouri 64112

February 29, 1980

Phone: 861-1112
Area Code 816



The Honorable Russell Long
U. S. Senate
Senate Office Building
Washington, D. C. 20510

Dear Senator Long:

It is my understanding that on February 5, 1980, the Senate Finance Subcommittee on International Trade held hearings on a bill to suspend the duty on imported freight cars (H. R. 3046 and S. 1004).

In my opinion this bill is an attempt to do on the Senate side what supporters of this bill were unable to accomplish on the House side. That is, eliminate the 18% duty on imported freight cars and bring about the transfer of this industry out of the United States.

The United States freight car producing industry is a stable, efficient industry that provides 100,000 jobs to Steelworkers, Machinists, Electrical Workers, Carmen, Boiler-makers, Blacksmiths and others. The Brotherhood Railway Carmen represent approximately 65,000 members on the railroads and in contract shops who will be directly affected by this bill.

When a duty suspension is voted, it has been historically a clear signal to multinational corporations and foreign producers to expand their capacity in that industry; it has also been a signal to domestic firms to abandon any expansion plans and to consider relocation abroad.

The duty suspension bill is not for the relief of Mexico. It will be a bonanza to Canada (a larger exporter to the U. S.) and to all other exporters of railroad equipment to the U. S., including Romania, Brazil, and Korea, and could, in the long run, hurt the balanced U. S. - Mexican Trade.

The United States is buying every freight car that Mexico has for export -- at 18% duty. Mexico's car building industry is booked to capacity; so is Canada's. In fact, Mexico is now receiving critically scarce freight car parts from the United States, reducing the U. S. ability to manufacture additional freight cars.

The United States car-building industry is cyclical and today's record demand can evaporate tomorrow in the recession, as car orders are cancelled. Already new car orders have levelled off. As recent as 1976, industry orders were approximately one half of capacity. However, once overseas expansion is encouraged by this bill and imports soar, U. S. plants will close and jobs will disappear.

The domestic car building industry has an estimated production capacity of 85,000 to 90,000 cars a year; more than ample to satisfy the sustained demand for freight cars which has averaged 67,000 cars per year since 1966.

Canada has a car building capacity of 12,000 cars per year of which approximately 6,000 are used domestically. Mexico has a capacity of 5,000 cars per year. Both countries can sell into the United States every car made -- with the 18% duty. Increased exports to the U. S. will worsen the U. S. balance of payments deficit.

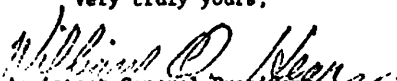
United States builders are committed to increased capacity, but duty suspension will discourage expansion. The FMC plant in Oregon has announced a plant expansion of 50% capacity; many U. S. plants - if the heavy demand remains - can tool up to increase production of roller bearings and castings - thus enabling U. S. railcar manufacturers to add additional shifts and increase daily output.

In every bumper grain year - including the years of record grain shipments to Russia - the freight car needs have been met. There have been delays but no agriculture crops or other bulk cargoes have been lost.

U. S. freight cars help meet the energy need of America and the freight car construction is an industry that will expand to provide more - not fewer - jobs in the 1980s, thus lessening the need for federal dollars in CETA programs and displacement payments to discharged workers.

With the unemployment rate in the United States over 6% I am sure that the members of the Congress of the United States will not consider such a bill as H. R. 3046 and S. 1004, and respectfully request your opposition to these bills.

Very truly yours,


Assistant General President

WOH/um

AFFILIATED WITH AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, WASHINGTON STATE LABOR COUNCIL • AFL-CIO

KING COUNTY LABOR COUNCIL OF WASHINGTON

AFL-CIO

MEETS 1st AND 3rd WEDNESDAY
LABOR TEMPLE AUDITORIUM—8:00 P.M.

February 14, 1980

3900 FIRST AVENUE
SEATTLE, WASHINGTON 98121
Telephone MAIn 3-1220

The Honorable Russell Long
United States Senator
Senate Office Building
Washington, D. C. 20510

Dear Senator Long:

We are extremely concerned about the possibility of suspending the duty on imported freight cars, re H.R. 3046 and S. 1004.

This would in essence take an 18% duty off of imported freight cars and if it happened it would seriously impact the employment of many people in our area as well as other parts of the United States. This would be disadvantageous to the United States in competition with Canada and Mexico as they are not removing their tariff against the United States.

The United States has been importing railroad freight cars at an accelerating rate despite the U.S. tariff. Foreign subsidies and low wages affect the foreign trade. Imports from both Mexico and Canada have increased since 1977.

If these bills were to pass it certainly would be devastating to the American freight car industry, putting a lot of our people out of work.

We strongly request that you do not support H.R. 3046 or S. 1004.

Sincerely,

James K. Bender
JAMES K. BENDER
Executive Secretary

opelu8
off-cio

February 27, 1980
125-1139

Dear Sirs:

Please be advised that I am of total opposition to the legislation of Bills H.R. 3046 and S. 1004.

I feel that if these Bills are enacted into law, our country balance of trade would become more adversely effected. Also, it will bring great damage to the railroad car construction industry and the loss of thousands of jobs at a time when we are sliding into a recession and railroad car orders are diminishing.

Therefore, I urge the Senate Finance Committee Members to oppose H.R. 3046 and S. 1004 and not report these Bills to the Senate floor. Thank you.

With best wishes
and kindest regards,

Daniel J. Lupton
237 Woodfield Ave.
San Bernardino, Ca. 92404

February 27, 1980
2:31 PM '80

Dear Sirs:

Please be advised that I am of total opposition to the legislation of Bills H.R. 3046 and S. 1004.

I feel that if these Bills are enacted into law, our country balance of trade would become more adversely effected. Also, it will bring great damage to the railroad car construction industry and the loss of thousands of jobs at a time when we are sliding into a recession and railroad car orders are diminishing.

Therefore, I urge the Senate Finance Committee Members to oppose H.R. 3046 and S. 1004 and not report these Bills to the Senate floor. Thank you.

With best wishes
and kindest regards,

Robert E. Utterbach
6039 Emery St
Riverside Ca 92509

February 27, 1980

Dear Sirs:

Please be advised that I am of total opposition to the legislation of Bills H.R. 3046 and S. 1004.

I feel that if these Bills are enacted into law, our country balance of trade would become more adversely effected. Also, it will bring great damage to the railroad car construction industry and the loss of thousands of jobs at a time when we are sliding into a recession and railroad car orders are diminishing.

Therefore, I urge the Senate Finance Committee Members to oppose H.R. 3046 and S. 1004 and not report these Bills to the Senate floor. Thank you.

With best wishes
and kindest regards,

Fernin O. Gonzales
268 E Congress St
Cotton, Calif 92324

February 27, 1980
12 27 1980

Dear Sirs:

Please be advised that I am of total opposition to the legislation of Bills H.R. 3046 and S. 1004.

I feel that if these Bills are enacted into law, our country balance of trade would become more adversely effected. Also, it will bring great damage to the railroad car construction industry and the loss of thousands of jobs at a time when we are sliding into a recession and railroad car orders are diminishing.

Therefore, I urge the Senate Finance Committee Members to oppose H.R. 3046 and S. 1004 and not report these Bills to the Senate floor. Thank you.

With best wishes
and kindest regards,

Steu A. Block
7333 OLIVE TREE LN
HIGHLAND CA.
92346

February 27, 1980

Dear Sirs:

Please be advised that I am of total opposition to the legislation of Bills H.R. 3046 and S. 1004.

I feel that if these Bills are enacted into law, our country balance of trade would become more adversely effected. Also, it will bring great damage to the railroad car construction industry and the loss of thousands of jobs at a time when we are sliding into a recession and railroad car orders are diminishing.

Therefore, I urge the Senate Finance Committee Members to oppose H.R. 3046 and S. 1004 and not report these Bills to the Senate floor. Thank you.

With best wishes
and kindest regards,

Robert M. Chang
2098 OHIO AVE
COLTON CAL. 92324

February 27, 1980
1779

Dear Sirs:

Please be advised that I am of total opposition to the legislation of Bills H.R. 3046 and S. 1004.

I feel that if these Bills are enacted into law, our country balance of trade would become more adversely effected. Also, it will bring great damage to the railroad car construction industry and the loss of thousands of jobs at a time when we are sliding into a recession and railroad car orders are diminishing.

Therefore, I urge the Senate Finance Committee Members to oppose H.R. 3046 and S. 1004 and not report these Bills to the Senate floor. Thank you.

With best wishes
and kindest regards,
Gary S. Cleff
901 MELODY LAVE
LYTLE CREEK CALIF
92358

NEW YORK STATE AFL-CIO

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451 PARK AVE. SOUTH
New York, N. Y. 10016
(212) 248-2200
99 WASHINGTON AVENUE
Albany, N. Y. 12210
(518) 436-6616

February 13, 1980

Hon. Russell Long
Senate Office Building
Washington, D. C. 20510

Dear Senator Long:

The Senate Finance Committee has presently under consideration S. 1004 which deals with the suspension of the duty on imported freight cars.

We have witness a steady deterioration of our position in balance of payments. All this bill will do is to transfer out of the U.S. this industry.

A transfer which we can ill afford with its potential loss of thousands of jobs and its irreparable damage to the railroad car construction industry. An industry whose record is so important in this period of energy crisis.

We know that you will want to protect the American economy. A destruction of the work potential of so many workers, will not be helpful in attaining this goal. Our domestic economy needs strengthening and not weakening. We urge you to give this measure your serious attention, a vote against this legislation will be an effective measure of strengthening the American economy.

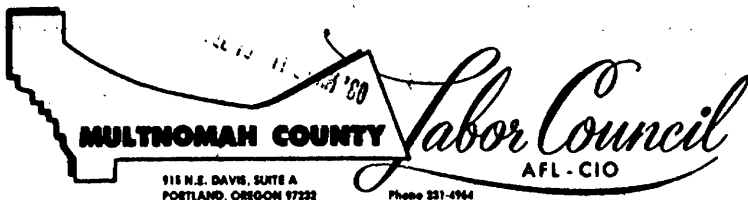
Sincerely yours,

Raymond R. Corbett

Raymond R. Corbett
President

E. Howard Molisani

E. Howard Molisani
Secretary-Treasurer

LOW INHEL
PRESIDENTMARTIN F. BLAKE - GARY GALLAGHER
VICE-PRESIDENTSTHOMAS J. BAKER
EXECUTIVE SECRETARY-TREASURER

February 12, 1980

Honorable Russell Long
c/o Senate Office Building
Washington, D.C. 20510

Dear Senator Long:

At the regular Council meeting of the Multnomah County Labor Council, AFL-CIO, Portland, Oregon, held Monday, February 11, 1980, a motion was passed unanimously opposing HR 3046 and S. 1004 which, as you well know, eliminates the 18% duty on imported freight cars and will cost the United States many thousands of jobs.

We think that enough of our work has been sent to foreign countries, damaging the labor movement here in the United States. In our opinion, charity begins at home and we sincerely oppose HR 3046 and S. 1005.

Seeking your support and consideration of our position on these Bills, we remain

Sincerely,

MULTNOMAH COUNTY LABOR COUNCIL, AFL-CIO

Thomas J. Baker

Thomas J. Baker, Executive Secretary

TJB:gh
opcu/ll
afl-cio



CALIFORNIA LABOR FEDERATION, AFL-CIO

JOHN F. HENNING

Executive
Secretary-Treasurer

ALBIN J. GRUHN

President

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District No. 2

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District No. 12

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District No. 13

Harry Fiala

District No. 14

Laymond K. Nelson

District No. 15

Lloyd J. Lee

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Euse G. Beaumont

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Justin Ouzo

John F. Carvley

Steve Edsley

Fred D. Fincher

Case Alvin

Kaoul Teitler

995 MARKET STREET, SUITE 210
SAN FRANCISCO, CALIFORNIA 94103
415 986-3888

February 13, 1980

The Honorable Russell Long, U.S. Senator
Senate Office Building
Washington, D.C. 20510

Dear Senator Long:

The Senate Finance Committee has before it S. 1004 and H.R. 3046 to suspend the 18 percent duty on foreign built freight cars.

This proposal would transfer a major industry out of the United States, eliminating thousands of jobs for skilled American workers at a time when we are on the brink of a national recession and when railroad car orders are in a decline.

Freight car production directly affects the jobs of car men, electricians, machinists, boilermakers, steelworkers and others. In an industry so vital to our nation's economy the proposed duty elimination would also impact seriously on the jobs of railroad maintenance and service employees whose skills are essential to maintaining an effective rail transportation system in this country.

On behalf of 1.7 million members of the AFL-CIO in California, represented by this Federation, I urge that you oppose H.R. 3046 and S. 1004 and that you act in committee so that the proposal will not be reported to the Senate floor.

Sincerely yours,

John F. Henning
Executive Secretary-Treasurer

JFH:db
ope-3-afl-cio(31)



LOGAN E. JONES
President



A. A. ANDREWS
Secretary Treasurer

DAVID J. GREENE
Recording Secretary

EB 14 10 57 AM '80

February 12, 1980

Dear Senator Long:

The Greater Canton AFL-CIO Council, representing 85 local unions in the Greater Canton area, with an approximate membership of 30,000, urges you as a member of the Senate Finance Committee to oppose bringing H.R. 3046 and S. 1004 onto the Senate floor.

These bills would eliminate the 18% duty on imported freight cars and would bring about the transfer of this industry out of the U.S., which would damage the railroad car construction industry and mean the loss of thousands of jobs.

Thank you for your consideration and cooperation.

Sincerely,

Logan E. Jones

Logan E. Jones, President
GREATER CANTON AFL-CIO COUNCIL

LEJ:jc



PRESIDENT
DOMINIC N. FORNARO
FIRST VICE-PRESIDENT
THOMAS H. CRABLEY
SECOND VICE-PRESIDENT
ROBERT E. PETERSEN
SECRETARY-TREASURER
EDWARD A. HOWLER

MARYLAND STATE AND D. C. AFL-CIO

AFFILIATED WITH NATIONAL AFL-CIO

93 Main Street (2nd Floor)

Annapolis, Maryland 21401

269-1724

Balto. 752-5211 — Cope 269-5744



February 12, 1980

AREA VICE-PRESIDENTS

DELBERT ALLEN
EARL W. BARNES
JOSEPH BEAVERS
WALTER J. BIERWAAGEN
DONALD H. CARCELLA
EDWARD J. COURTHES
MARGARETA CRAMPTON
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JOHN B. JEFFERIES
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HENRY KOSLEIN, JR.
DONALD MCALLISTER
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C. W. MCKENNA
RAYMOND METE
PETER RADASH
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FRANK PABELETTI
BENNETT PHILLIPS
MATTHEW ROMEO
HAROLD ROOF
BART SAMPER
WILLIAM H. SIMONS
WAYNE D. SMITH
JOSEPH TALENCO
STANLEY BOHCK

Honorable Russell Long
United States Senate
Senate Office Building
Washington, D. C. 20510

Dear Senator Long:

It is our understanding that the Senate Finance Subcommittee on International Trade recently held hearings on a bill (\$ 1004) to suspend the duty on imported freight cars. The purpose of this letter is to urge that you, as a member of the Senate Finance Committee, oppose this bill because of the damage it can do to the railroad car construction industry and the loss of thousands of jobs.

We believe this bill could permanently export production and jobs from a U. S. industry which is essential for U. S. energy and agricultural needs. Freight car production directly affects the jobs of car men, electricians, machinists, boilermakers, steelworkers and many other workers, as well as miners and farmers, whose output is shipped on the cars. The integrated industry affects the jobs of maintenance and service employees, whose skills are essential to maintain an effective rail system and rail repair and production.

Freight car production supports the U. S. transportation system, the jobs that go with it, and the ability of the U. S. to serve its national needs. The railroad industry is increasingly important in the future as the U. S. faces energy problems in the 1980's. The U. S. has the workforce to supply our needs.

Tax avoidance, special incentives of foreign governments for exports, nationalized rail systems abroad, plus protected markets abroad are already encouraging expansion of foreign capacity. What \$ 1004 would accomplish, therefore, is an extra tax break to expand production abroad of a product vitally needed in the United States.

For these reasons, we urge your support in opposing this legislation.

Sincerely,

Dominic N. Fornaro
President

DNF/t

Senator Russell Long
Louisiana

February 27, 1980
10 14 AM '80

Dear Sirs:

Please be advised that I am of total opposition to the legislation of Bills H.R. 3046 and S. 1004.

I feel that if these Bills are enacted into law, our country balance of trade would become more adversely effected. Also, it will bring great damage to the railroad car construction industry and the loss of thousands of jobs at a time when we are sliding into a recession and railroad car orders are diminishing.

Therefore, I urge the Senate Finance Committee Members to oppose H.R. 3046 and S. 1004 and not report these Bills to the Senate floor. Thank you.

With best wishes
and kindest regards,

F. D. Canaway
714 E. Hill St
513

February 27, 1980
1980 1/20

Dear Sirs:

Please be advised that I am of total opposition to the legislation of Bills H.R. 3046 and S. 1009.

I feel that if these Bills are enacted into law, our country balance of trade would become more adversely effected. Also, it will bring great damage to the railroad car construction industry and the loss of thousands of jobs at a time when we are sliding into a recession and railroad car orders are diminishing.

Therefore, I urge the Senate Finance Committee Members to oppose H.R. 3046 and S. 1004 and not report these Bills to the Senate floor. Thank you.

With best wishes
and kindest regards,

Charles D. Neelak
2520 St Ave
SNN/BW Calif
92405-

February 27, 1980

Dear Sirs:

Please be advised that I am of total opposition to the legislation of Bills H.R. 3046 and S. 1004.

I feel that if these Bills are enacted into law, our country balance of trade would become more adversely effected. Also, it will bring great damage to the railroad car construction industry and the loss of thousands of jobs at a time when we are sliding into a recession and railroad car orders are diminishing.

Therefore, I urge the Senate Finance Committee Members to oppose H.R. 3046 and S. 1004 and not report these Bills to the Senate floor. Thank you.

With best wishes
and kindest regards,

Russell Beddoe Fighlson
623 W. 9TH UPLAND
CALIF 91786

J.W. HUGHES
GENERAL CHAIRMAN
P. O. BOX 884
WAYCROSS, GEORGIA 30401

L.W. McALPINE, JR.
1ST VICE GEN. CHAIRMAN
1224 EAST 13RD STREET
SAVANNAH, GEORGIA 31406

**JOINT PROTECTIVE BOARD
BROTHERHOOD RAILWAY CARMEN OF THE UNITED STATES AND CANADA**

AFFILIATED WITH AFL-CIO

SEABOARD COAST LINE, NORFOLK AND PORTSMOUTH BELT LINE, AND GEORGIA RAILROAD COMPANIES

February 20, 1960

Senator Russel Long
Senate Office Building
Washington, D. C. 20510

Dear Senator Long:

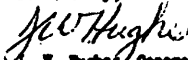
In behalf of the 2,200 Carmen I represent, we urge that you oppose bill S. 1004 and H.R. 3046 which would suspend the duty on imported freight cars, and that your Committee not report it to the Senate floor.

U. S. freight car producing industry provides 65,000 jobs, not only to the Carmen I represent, along with Carmen on other roads, but also steelworkers, machinists, electrical workers, boilermakers, and others. At a time when unemployment in this country jumped last month by 338,007, from 5.9% to 6.2%, it is critical that a bill such as S.1004 and H.R. 3046 which would create even more unemployment not be passed.

Our domestic car building industry has an estimated production capacity of 85,000 to 90,000 cars a year; more than ample to satisfy the sustained demand for freight cars which has averaged 67,000 cars per year since 1966. The reported "shortages" of freight cars only a few months ago are now seen as an invalid rationale for lowering U.S. tariffs. The passage of H.R. 3046 and S. 1004 would amount to unilateral action for an emergency that does not exist.

We urgently request your opposition to S. 1004 and H.R. 3046.

Yours truly,



J. W. Hughes, General Chairman

JWH/pab

cc: Mr. O. W. Jacobson, General President

Edward Schlining, General Chairman

Ronald L. Krossing, Vice Chairman

Ronald E. Seebright, Secretary-Treasurer

Consolidated Joint Protective Board of Chicago

915 EAST MICHIGAN BOULEVARD • MICHIGAN CITY, INDIANA 46340 • PHONE (219)872-8147

*The Belt Railway Company of Chicago - The Baltimore and Ohio Chicago Terminal Railroad Company
Chicago and Eastern Illinois Railroad - Chicago and Western Indiana Railroad Company - Elgin, Joliet
and Eastern Railway Company - Chicago South Shore and South Bend Railroad - The Chicago Car Inter-
change Bureau - Chicago, West Pullman and Southern Railroad Company.*

BROTHERHOOD RAILWAY CARRIERS OF THE UNITED STATES AND CANADA
Affiliated with AFL-CIO and CLC

February 20, 1980

The Honorable Russell B. Long
United States Senate
Russell Senate Office Building
Washington, D. C. 20510

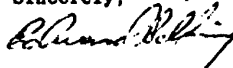
Dear Senator Long:

On behalf of the members of this Joint Board, all of whom are employees of Railroads, I would like to inform you of our opposition to HR 3046 and S 1004 and other legislation that would eliminate the 18% duty on imported freight cars.

This legislation would result in the loss of thousands of jobs in the Railroad and other related industries throughout the United States if allowed to pass.

As a member of the Senate Finance Committee, you are respectfully requested to oppose HR 3046 and S 1004 and not report it to the Senate floor.

Sincerely,



Edward Schlining
General Chairman

ES:gj



**INTERNATIONAL UNION
OF ELECTRICAL, RADIO
AND MACHINE WORKERS**

AFFILIATED WITH THE AMERICAN FEDERATION OF LABOR and CONGRESS OF INDUSTRIAL ORGANIZATIONS
AND THE CANADIAN LABOUR CONGRESS

PHONE: 296-1200 (Area Code 202) Telegrams: TWX 710-922-3100
1126 SIXTEENTH STREET N.W., WASHINGTON, D.C. 20036
CABLE ADDRESS: INELECTRO

DAVID I. FITZGERALD
President

GEORGE HUTCHENS
Secretary-Treasurer

PHILIP MURRAY BUILDING

February 20, 1960

Honorable Abraham Ribicoff, Chairman
Subcommittee on International Trade
Senate Finance Committee
2227 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Ribicoff:

I am writing to add the voice of the International Union of Electrical, Radio and Machine Workers to that of the AFL-CIO and other unions in opposition to S.1004 and H.R.3046, bills which would suspend tariffs on imported freight cars. IUE members produce bearings, castings and other parts and machinery used in freight car manufacturing. We believe the 65,000 jobs in the freight car industry, requiring great investments in skills and years of service, would be jeopardized by passage of this legislation.

The U.S. freight car industry is currently healthy. It has provided, and continues to provide, the cars needed for the transportation of essential energy and agricultural products with little delay or inconvenience, while demand for freight cars has fluctuated widely.

The current strong demand for freight cars, which is already beginning to subside, is being met by domestic production and imports (almost exclusively from Mexico and Canada). The 18% tariff on freight cars has not prevented any from entering the U.S. market, as the rising value of such imports over the last two years shows. In response to this situation, U.S. freight car producers are expanding their capacity.

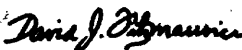
A suspension of the tariff on freight cars, by changing the conditions of trade and production for only the U.S. industry, could cause a wide range of problems. While the tariff suspension would be temporary, we in IUE have seen tremendous damage done to an industry by a flood of imports for a shorter period than the time specified by S.1004 and

H.R.3046. Other countries producing freight cars would see, not a temporary change in the tariff, but a declaration of "open season" on the U.S. industry. They could be expected to use the current domestic situation to establish a market for their product, and then, when demand slackens, as it has already started to do, to attempt to undercut domestic producers. If such an attempt were successful, there would be no increase in the availability of freight cars, just a replacement of domestic output by imports.

Another possible result of tariff suspension would be a re-assessment by U.S. producers of their expansion plans. They would consider whether overseas investment would be more profitable, with no tariff on imports, than continued or expanded U.S. production. We believe the importance of this industry, as a provider of thousands of jobs and as a producer of goods essential to our energy and agricultural goods producers, makes the risk of this taking place undesirable. IUE has been affected when U.S. producers moved overseas for this reason. Such moves cause serious problems for workers and communities around the country, they undermine workers' skills and the nation's capacity to make important products.

IUE believes that the continuing importation of freight cars into the U.S. at the current tariff level indicates that no action to suspend the tariff is necessary. We have pointed out some of the problems such a suspension could have. The good of the nation would not be served by reporting S.1004 and H.R.3046 out of committee. We therefore ask that you join us in opposing this legislation.

Sincerely yours,



David J. Fitzmaurice
President

DJF/SS:amd
copies to Senate Finance Committee