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SENATE

REPORT
No. 94-1351

AIRCRAFT ENGINES

SEPTEMBER 29, 1976.—Ordered to be printed

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

REPORT

[To accompany H.R. 2181]

The Committee on Finance, to which was referred the bill (H.R. 2181) to amend the Tariff Schedules of the United States to provide duty-free treatment of any aircraft engine used as a temporary replacement of an aircraft engine being overhauled within the United States if duty was paid on such replacement engine during a previous importation, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

The amendments are as follows:

(1) A technical amendment relating to the new column rate of duty on certain aircraft engines.

(2) An amendment to Section 2 of the Act of August 22, 1964 (Public Law 88-482), to prevent the circumvention of meat import restrictions through the processing of foreign meat in Foreign Trade Zones, territories, or possession of the United States.

(3) An amendment to the Tariff Schedules of the United States to provide for duty-free entry of certain mixed animal feeds containing soybeans.

DESCRIPTION OF PROVISIONS

Section 1 of H.R. 2181 amends the Tariff Schedules of the United States (TSUS) by the inclusion of a new item, 801.20, in subpart A of part 1 of Schedule 8 (Articles exported and returned, not advanced or improved abroad). The new item provides for the duty-free entry of any aircraft engine or propeller or any part or accessory of either, previously imported, on which the duty was paid upon such previous importation. Such duty-free entry is limited to situations where the reimported duty paid article has not been advanced in value or improved in condition while abroad, was exported under loan, lease,

or rent to an aircraft owner or operator as a temporary replacement for an aircraft engine being overhauled, repaired, rebuilt, or reconditioned in the United States, and was reimported by or for the account of the person who exported it from the United States.

Section 2 of H.R. 2181 provides that the new rate of duty on certain aircraft engines becomes effective on the date of enactment.

Section 3 of H.R. 2181 as reported is a technical amendment providing that the new column 1 rate of duty on certain aircraft engines shall be considered to have been proclaimed by the President to carry out trade agreements to which the United States is a party, not as a statutory provision enacted by the Congress.

Section 4 of the bill as reported amends the Act of August 22, 1964 (Public Law 88-482), to provide that foreign unprocessed meat is subject to the meat import quota law or is subject to limitations established pursuant to international agreements if it is processed in a foreign trade zone, a possession of the United States, or the Trust Territories of the Pacific.

Section 5 of the bill as reported expands the definition of "mixed feed" and "mixed-feed ingredients" in headnote 1(b) of schedule 1, part 15, subpart C, of the Tariff Schedules of the United States to include products which are admixtures of not less than 6% by weight of soybeans or soybean products.

General Statement

Aircraft Engines.—Reimportation of loaner or replacement for foreign-made aircraft engines, propellers and parts thereof with respect to which the duty has been paid upon such previous importation are dutiable.

Under headnote 1 of part 1 of schedule 8 of the TSUS the tariff status of an article is not affected by the fact it was previously imported into the customs territory of the United States and cleared through customs whether or not duty was paid on such previous importation in the absence of a specific provision to the contrary. There is no specific provision covering reimportation of loaner or replacement aircraft. Therefore such reimportation of piston and jet aircraft engines and parts are dutiable at the respective nondiscriminatory, or most-favored-nation, rates of 4 percent *ad valorem* (TSUS item 660.44) and 5 percent *ad valorem* (TSUS item 660.46). The applicable non-MFN rate is 35% for both items.

The purpose of the bill is to avoid successive payment of duties on each reimportation of an aircraft engine, propeller, or parts thereof, when imported after having been exported for use as a temporary replacement for an aircraft engine being overhauled, repaired, rebuilt, or reconditioned in the United States.

Firms in the United States engaged in aircraft engine repair when repairing foreign-made aircraft engines must provide a replacement engine to the aircraft owner or operator while the repair is taking place.

Not only is the duty paid on the replacement engine when first imported, but each time the loaned engine is reimported in exchange for the original engine repaired by the United States firm, current law requires that a duty be assessed.

It is claimed that the requirement of successive duty payments on each reimportation of "loaner" aircraft engines after the duty has been paid on original importation serves no purpose and is a cost disincentive to U.S. based firms providing repair services on foreign-made aircraft engines.

The report of the International Trade Commission points out it has been the practice of repair firms to enter replacement engines and parts under the temporary import bond provisions of item 864.05 (TSUS). This item provides for temporary importation of articles to be repaired, altered, or processed, but requires that articles so entered must be exported from the United States within at least 3 years of the date of importation. The effect of this legislation on firms which have been using temporary importation bonds is that they will no longer have to post bond.

Public hearings were held by the Committee on Finance on August 24, 1976, on tax and tariff bills. During these hearings, no objections to the aircraft engine provisions of this legislation were received by the Committee from any source.

The technical amendment added by the Committee provides that the new column 1 rate of duty prescribed for certain aircraft engines in this bill shall be considered to have been proclaimed by the President to carry out trade agreements, rather than as a statutory change in the rate of duty.

Meat Imports.—The amendment relating to meat imports is designed to prevent circumvention of the restrictions on meat imports.

Under the Act of August 22, 1964 (Public Law 88–482, 19 U.S.C. 1202 note), unprocessed meat, classified under items 106.10 and 106.20 of the Tariff Schedules of the United States (TSUS), is subject to a quota when it enters the United States if the total amount of such imports exceeds a "trigger point" determined under that Act. For 1976, the "trigger point" is 1,233,000,000 pounds. Because the Secretary of Agriculture has estimated that unprocessed meat imports will not exceed the "trigger point" in 1976, no quotas are in effect.

The reason unprocessed meat imports are not expected to exceed the "trigger point" is that voluntary restraint agreements between the United States and 11 foreign countries have been negotiated under the authority delegated to the President in section 204 of Agricultural Act of 1956. Under these agreements, the 11 countries refrain from exporting unprocessed meat to the United States in excess of specified amounts.

The meat import quota law and the voluntary restraint agreements do not apply to processed meat which is classified under item 107 TSUS. Nor do the quota law or restraint agreements apply to unprocessed foreign meat, classified under items 106.10 or 106.20 TSUS, when it is entered into a foreign trade zone, a possession, or a territory of the United States. If the foreign unprocessed meat is processed in such a zone, possession, or territory and then entered into the customs territory of the United States under item 107 TSUS, then no quantitative restrictions are applicable. For example, 2 meat processing plants in a Foreign Trade Zone in Puerto Rico have exported to the United States approximately 50 million pounds of meat processed from foreign meat during the first 8 months of 1976. This meat enters free of any quantitative limitations. Information received by

the Committee indicates that meat processing operations are planned for another Foreign Trade Zone and Guam.

The Committee amendment prohibits entry of foreign processed meat, classified under item 107 TSUS, into the customs territory of the United States from a foreign trade zone, United States possession, or territory unless the unprocessed meat, classified under items 106.10 or 106.20 TSUS, from which the processed meat is made is deducted from the meat quota, if any, or is included in the limitations established under voluntary restraint agreements. The Committee believes this change in the meat quota law is necessary to prevent the proliferation of meat processing operations in foreign trade zones, possessions, and territories whose primary purpose is to avoid quantitative restrictions on meat imports. In light of the current depressed condition of the domestic meat market, the Committee believes this amendment is meritorious and should be adopted.

The Committee on Finance held a hearing on this amendment to the meat import act on September 20, 1976. At that hearing, testimony favorable to the enactment of the amendment was received from the Office of Special Representative for Trade Negotiations and from the Department of Agriculture. Testimony opposing the enactment of the amendment was received from the Economic Development Administration of the Commonwealth of Puerto Rico and from the Commonwealth Processing Corporation.

Mixed Animal Feeds.—The amendment relating to mixed animal feeds expands, for purposes of item 184.70 TSUS, the definition of "mixed feeds" and "mixed-feed ingredients" in headnote 1(b) of schedule 1, part 15, subpart C of the TSUS to include products which are admixtures of soybeans or soybean products, including byproducts obtained in processing soybeans, and which consist of not less than 6% by weight of soybeans or soybean products.

Under present law, animal feeds containing not less than 6% grain are admitted free of duty under item 184.70 if they are imported from a country receiving nondiscriminatory, MFN, tariff treatment. If the feed is exported from a non-MFN country, the rate of duty under item 184.70 is 10 percent ad valorem. Animal feeds containing an equivalent amount of soybeans or soybean products are classified under item 184.75 and assessed an MFN duty of 7.5 percent ad valorem and a non-MFN rate of 20 percent ad valorem. The definitional change contained in the amendment would enable animal feeds containing at least 6% soybeans or soybean products to enter the United States at the lower rates of duty applicable under item 184.70 rather than the rates of duty which they presently pay under item 184.75.

Total imports under item 184.75 for January-September 1975 were valued at $6,186,000. Imports from Canada, the only known foreign producing country, accounted for $2,000,000 of that total. However, it is believed that only a small portion, if any, of the imports entering from Canada consisted of the animal feed in question.

This amendment also provides that animal feed admixtures of soybeans or soybean products with milk or milk derivatives are excluded from item 184.70. This is because such products are classified under item 184.75, which is subject to "Section 22" quantitative import restrictions (7 U.S.C. 624) imposed by Presidential Proclamation 4026.

This amendment on mixed animal feed is similar to H.R. 6253. The

Ways and Means Committee conducted hearings on H.R. 6253 and other trade and tariff matters on April 23 and 24, 1975. At that time, communications in opposition to the enactment of this amendment were received from the Departments of Commerce, State and Agriculture. Testimony favorable to the enactment of the amendment was received from the Allen Products Company, Inc.

Costs of Carrying Out the Bill and Effect on the Revenues of the Bill

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect on the revenues of the bill. The Committee estimates that the tariff change with respect to certain aircraft engines will have a negligible effect on the customs revenues. The amendment relating to meat imports will have no revenue effect and the Treasury Department reported it could not provide an estimate of the customs revenue loss arising from the amendment relating to animal feeds because they cannot determine the amount of imports affected.

Vote of Committee in Reporting the Bill

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote of the committee on reporting the bill. This bill was ordered favorably reported by the committee without a roll call vote and without objection.

Changes in Existing Law

In compliance with subsection (4) of Rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TARIFF SCHEDULES OF THE UNITED STATES

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SCHEDULE 8.—SPECIAL CLASSIFICATION PROVISIONS

Item	Articles	Rates of duty 1	Rates of duty 2
	PART 1.—ARTICLES EXPORTED AND RETURNED		
*	* * * * *	*	*
	Subpart A.—Articles not Advanced or Improved Abroad		
*	* * * * *	*	*
801.10	Articles, previously imported, with respect to which the duty was paid upon such previous importation if (1) exported within three years after the date of such previous importation, (2) reimported without having been advanced in value or improved in condition by any process of manufacture or other means while abroad, (3) reimported for the reason that such articles do not conform to sample or specifications, and (4) reimported by or for the account of the person who imported them into, and exported them from, the United States	Free	Free.
801.20	*Any aircraft engine or propeller, or any part or accessory of either, previously imported, with respect to which the duty was paid upon such previous importation, if (1) reimported without having been advanced in value or improved in condition by any process of manufacture or other means while abroad, after having been exported under loan, lease, or rent to an aircraft owner or operator as a temporary replacement for an aircraft engine being overhauled, repaired, rebuilt, or reconditioned in the United States, and (2) reimported by or for the account of the person who exported it from the United States*	*Free*	*Free.*

The Act of August 22, 1964 (Public Law 88–482; 78 Stat. 594) section 2:

(f) All determinations by the President and the Secretary of Agriculture under this section shall be final.

(g) Notwithstanding any provision of law, if—

(1) articles described in subsection (a) would be subject to quantitative import limitations provided by law, or established pursuant to an international agreement, when entered for consumption directly into the customs territory of the United States, and

(2) such articles are used in the production or manufacture of new articles in a Foreign Trade Zone established under the Act of June 18, 1934, 48 Stat. 998, or in a possession of the United States or in the United States Trust Territory of the Pacific,

then such new articles may not be entered into the customs territory of the United States unless the quantity of the articles described in subsection (a) from which such new articles are produced or manufactured is included within limitations established pursuant to international agreements or by proclamation issued under this section or is deducted from the quantity of meat which may be entered into the United States under the quantitative import limitations otherwise provided by law.

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TARIFF SCHEDULES OF THE UNITED STATES

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SCHEDULE 1.—ANIMAL AND VEGETABLE PRODUCTS

Item	Articles	Rates of duty 1	Rates of duty 2
	PART 15.—OTHER ANIMAL AND VEGETABLE PRODUCTS		
*	* * * * * *		
	Subpart C.—Animal Feeds		
	Subpart C headnotes: 1. For the purposes of this subpart— (a) the term "animal feeds, and ingredients therefor" embraces products chiefly used as food for animals, or chiefly used as ingredients in such food, respectively, but such term does not include any product provided for in schedule 4 (except part 2E thereof) or schedule 5 (except part 1K thereof); and (b) [the terms "mixed feeds" and "mixed-feed ingredients" in item 184.70 embrace products which are admixtures of grains (or products, including byproducts, obtained in milling grains) with molasses, oil cake, oil-cake meal, or other feed-stuffs, and which consist of not less than 6 percent by weight of the said grains or grain products.] *The terms "mixed feed" and "mixed-feed ingredients" in item 184.70 embrace products which are admixtures of grains (or products, including byproducts, obtained in milling grains) or of soybeans (or products, including byproducts, obtained in processing soybeans) with molasses, oil cake, oil-cake meal, or other feed-stuffs (other than any product which contains milk products or products containing milk or milk derivatives) and which consist of not les. than 6 percent by weight of such grains or grain products or of such soybeans or soybean products.*		

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