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BACKGROUND MATERIALS
ON THE
AUTHORIZATION OF APPROPRIATIONS
FOR THE
UNITED STATES
INTERNATIONAL TRADE COMMISSION
FOR FISCAL YEAR 1978

SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*



APRIL 21, 1977

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(II)

PREFACE

Section 330 of the Tariff Act of 1930 requires that an annual budget authorization be enacted each fiscal year for the U.S. International Trade Commission. This pamphlet has been prepared by the staff of the Committee on Finance to assist the members of the committee in their consideration of the Commission's budget for fiscal year 1978.

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U.S. INTERNATIONAL TRADE COMMISSION

The U.S. International Trade Commission (formerly the Tariff Commission) is an independent, factfinding agency whose six members and staff perform important functions in the administration of U.S. trade laws and the conduct of U.S. foreign trade policy. The Commission holds administrative hearings, carries out economic investigations, and reports its findings to the Congress and to the Executive either as technical advice or as specific, quasi-judicial, determinations in cases brought under the trade laws of the United States. The Commission was established in 1916 to provide technical advice and information to the Congress on tariff matters. Over the years the responsibilities of the Commission have been expanded and its work is no longer strictly associated with tariffs but with all aspects of international trade and economics.

In recent years the Commission has held public hearings and carried out comprehensive studies of the probable economic effects upon U.S. industries of the proposed reductions in tariffs and nontariff barriers. The Commission's findings form an important information base for U.S. trade negotiators in the current round of multilateral trade negotiations. In addition, the Commission performs important functions under various trade laws of the United States. Examples are:

- (1) Determinations of injury and recommendations of relief for industries seeking import relief (19 U.S.C. 2251);
- (2) Determinations of injury under the antidumping statute (19 U.S.C. 160);
- (3) Administration of the unfair import practice law (19 U.S.C. 1337); and
- (4) Numerous technical, statistical, and investigative activities conducted at the request of Congress, the President, or on the Commission's own initiative.

Recent Legislative History

In the Trade Act of 1974 (Public Law 93-618), the Congress made significant changes in the Commission's organization, in its jurisdiction, and in the laws which it administers. The responsibility for determining eligibility for firm and worker adjustment assistance was removed from the Commission and vested in the Departments of Commerce and Labor. The Commission was authorized to grant relief in unfair import practice cases brought under section 337 of the Tariff Act of 1930. The Commission was also given the responsibility of providing advice to the President during the multilateral trade negotiations, in the administration of the Generalized System of Preferences, and in the Customs Cooperation Council negotiations on a new tariff classification system. The terms of Commissioners were lengthened from 6 years to 9 years. Commissioners serving on the Commis-

sion at the time of the enactment of the Trade Act may be reappointed to one additional 9 year term; thereafter Commissioners are limited to one term. Under the Trade Act each Commissioner serves as chairman during the last 18 months of his term. In addition, the Commission was empowered to enforce its own subpoenas and to represent itself in court proceedings relating to its statutory functions.

In the Senate version of the Tax Reform Act of 1976 (H.R. 10612; Senate Report No. 94-938, part 2), the Finance Committee made several proposals relating to the operation of the Commission which would:

- (1) Change the number of Commissioners from six to seven;
- (2) Permit only those Commissioners who vote for injury in an escape clause case to vote for remedy;
- (3) Require that a recommendation by a plurality of the members of the Commission voting for the same remedy in an escape clause or market description case be considered the Commission's recommendations for import relief for purposes of the congressional override;
- (4) Require that a recommendation by any group of Commissioners voting for a remedy in an escape clause or market description case be considered the Commission's recommendation for import relief for purposes of the congressional override if the Commissioners are divided into two or more equal groups in their remedy vote; and
- (5) Provide that a Commissioner whose term has expired may continue in office until his successor has been nominated by the President and confirmed by the Senate.

In addition, the Finance Committee amendment to the Tax Reform Act included sections 2 and 3 of H.R. 13396 (H. Rept. No. 94-1088), which had been reported by the Committee on Ways and Means and passed by the House on May 19, 1976. The Finance Committee added the provisions of the House bill to accommodate the House of Representatives for purposes of conference. The House bill provided for the election of the Chairman by the Commission and vested administrative authority for the Commission in the Chairman.

The conference on the Tax Reform Act of 1976 agreed to two amendments affecting the Commission:

- (1) If a majority of Commissioners voting on an escape clause or market disruption case cannot agree on a remedy finding, then the remedy finding agreed upon by a plurality of not less than three Commissioners is treated as the remedy finding of the Commission for the purposes of the congressional override under sections 202 and 203 of the Trade Act of 1974. If the Commission is tied on the remedy vote, and each voting group includes not less than three Commissioners, then (A) if the President takes the action recommended by one of those groups, the remedy finding agreed upon by the other group shall, for the purposes of the congressional override, be treated as a remedy finding of the Commission, or (B) if the President takes action which differs from the action agreed upon by both such groups, the remedy finding agreed upon by either such group may be considered by the Congress as the remedy finding of the Commission for purposes of the congressional override; and

(2) A Commissioner may continue to serve after the expiration of his term of office until his successor is appointed and qualified.

Commission Budget for Fiscal Year 1978

Section 330(e) of the Tariff Act of 1930 (19 U.S.C. 1330) requires that an authorization of appropriations for the International Trade Commission be enacted for each fiscal year. Section 402(a) of the Congressional Budget Act of 1974 (31 U.S.C. 1352) requires the Committee on Finance to report legislation authorizing appropriations for fiscal year 1978 by May 15, 1977. Fiscal year 1978 begins on October 1, 1977. If the committee wishes its decision on the ITC appropriation to be taken into consideration by the Committee on Appropriations, the authorizing legislation should be reported before the Committee on Appropriations takes up the ITC appropriation bill. This year the Subcommittee on State, Justice, Commerce, and the Judiciary, which has jurisdiction over the ITC appropriation, will hold hearings on April 22, 1977.

The Commission requests that the committee authorize an appropriation of \$12,187,000 for fiscal year 1978. This is an increase of \$347,000, or 2.9 percent, over the appropriation for fiscal year 1977.¹ Seventy-four percent, or \$9.5 million, of the fiscal year 1978 request is for personnel. The budget request calls for 395 permanent employees, the same number as was budgeted for fiscal year 1977. The ITC currently has 359 employees.

Personnel

The low number of actual employees results from the hiring freeze which the Commission imposed pending completion of its internal reorganization. Before the reorganization, the ITC was authorized to hire 426 permanent employees. Under the reorganization plan, 90 old positions will be abolished and 60 new positions will be created, resulting in a net reduction of 30 employees. Although the Commission began to implement the reorganization plan on January 4, 1977, some matters remain unresolved: The Commission has not yet agreed on the functions to be performed by the General Counsel's Office and Civil Service Commission approval for certain personnel changes has not yet been obtained.

Currently, the average GS rating for employees of the ITC is 10.4, and the average compensation is approximately \$21,000 per year. The following table illustrates the distribution of salaries and grades in the Commission:

¹ The appropriation for fiscal year 1977 was \$11,350,000. As the result of the pay increase this year, the ITC has requested an additional \$400,000 appropriation for fiscal year 1977 for a total of \$11,840,000.

	1976 actual	1977 estimates	1978 estimates
Executive level III.....	1	1	1
Executive level IV.....	5	5	5
Subtotal.....	6	6	6
GS-18.....	1	1	1
GS-17.....	3	4	4
GS-16.....	2	2	2
GS-15.....	24	31	31
GS-14.....	41	46	46
GS-13.....	59	59	57
GS-12.....	39	39	35
GS-11.....	51	50	53
GS-10.....	1		
GS-9.....	36	20	24
GS-8.....	6	4	4
GS-7.....	61	51	50
GS-6.....	28	35	33
GS-5.....	33	27	27
GS-4.....	19	9	11
GS-3.....	8	3	3
Subtotal.....	412	381	381
Ungraded.....	8	8	8
Total permanent positions.....	426	395	395
Unfilled positions, end of year.....	-37	-10	-8
Total permanent employment, end of year.....	389	385	387
Total number of permanent positions....	426	395	395
Full-time equivalent of other positions.....	14	13	13
Average paid employment....	393	400	401
Average GS grade.....	9.89	10.42	10.38
Average GS salary.....	\$18,469	\$21,216	\$21,428
Average salary of ungraded positions.....	\$14,063	\$15,206	\$16,456

Of the \$347,000 increase for fiscal year 1978, \$342,000 is attributable to changes in personnel compensation and employee benefits. The following table explains the changes between fiscal year 1977 and fiscal year 1978:

Analysis of changes in obligations for fiscal year 1978

[In thousands of dollars]

Fiscal year 1977 budget, assuming enactment of pay supplemental.		11, 840
Automatic decrease:		
Avoidance of excess day.....		-38
Automatic increases:		
Personnel compensation:		
Annualization of October 1976 pay increases.	+5	
Within-grade and wage board increases.	+150	
Increase in severance pay.....	+42	
Elimination of savings from high lapse rate in first half offiscal 1977.	+196	
Less: Savings from annualization of staffing changes resulting from reorganization (-90) and savings from reduction in initial above-plan grades resulting from reorganization (-31).	-121	+75
Other increases in compensation....	+43	
Total increases in personnel compensation.	+315	
Related increase in employee benefits.	+27	
Increase in standard level user charge (GSA rent) resulting from higher rates, less savings from space adjustments.	+36	
Higher travel expenses resulting from higher unit costs.	+22	
Other	+11	
Total automatic increases.....		+411
Program decreases:		
Reduction in other services (computerized composition of the TSUSA and costs of translating and interpretation).		-60
Program increases:		
Increased costs of renting equipment....	+7	
Increased use of contract ADP services, mainly at other agencies.	+15	
Other	+12	
Total program increases.....		+34
Proposed budget, fiscal year 1978.....		12, 187

Travel

For fiscal year 1977 the ITC had a limitation of \$300,000 for travel. This amount was originally \$220,000 but was increased in the supplemental appropriation for fiscal year 1977 by \$80,000 which the Commission was able to save in other activities. There was no actual increase in appropriations under the supplemental appropriation. For fiscal year 1978 the Commission has requested that the limitation on travel expenditures be increased to \$322,000. Of this amount, approximately \$70,000 is attributable to field hearings by the Commission to hear witnesses outside of Washington. Approximately \$30,000 is attributable to travel, other than travel for field hearings, by the Commissioners and their immediate staffs. This means that each Commissioner and his staff would be allocated \$5,000 for travel in fiscal year 1978. For the first 5 months of fiscal year 1977, the Commissioners and their staffs actually spent \$11,069 for travel. During calendar year 1976 the Commissioners spent \$7,310 for foreign travel.

Program changes

To a large extent, the allocation of the resources of the Commission cannot be controlled by the Commissioners because the Commission is required by law to conduct investigations on request by private parties or governmental agencies. Of the activities which can be controlled by the Commission, the most significant changes in fiscal year 1978 are an increase in the resources allocated to investigations initiated on the Commission's own motion and a reduction in resources allocated to the assembly and analysis of economic information and to the production of reports on synthetic organic chemicals. During fiscal year 1976 actual expenditures on self-initiated investigations was \$176,000. For fiscal year 1978 the Commission is asking for \$953,000. Some of this increase is attributable to the savings realized on the assembly and analysis of economic information.

As a result of improved production techniques, the Commission hopes to reduce the cost of producing reports on production and sales of synthetic organic chemicals and the raw materials from which they are produced, a directory of manufacturers of those products, statistics on imports of benzoid chemicals, and monthly statistical reports covering production of a selected list of synthetic organic chemicals considered to be representative of the industry, from \$418,000 in fiscal year 1976 to \$248,000 in fiscal year 1978. In its budget justification, the Commission states that it "assumes that the Congress will require continued publication of the chemical reports and has made provision in the fiscal year 1978 budget for this extension." Upon recommendation of the GAO, the Commission reviewed the need for the chemical reports and then proposed to discontinue publication of the reports for fiscal year 1977. The Commission reversed its decision upon receiving a request from the executive agencies responsible for conducting the multilateral trade negotiations.

The following table shows obligations of the ITC for fiscal years 1976, 1977, and 1978:

COMPARATIVE OBLIGATIONS, BY ACTIVITY

[In thousands of dollars]

Activities	Fiscal year 1976 actual	Increase or de- crease, fiscal year 1977 from fiscal year 1976	Fiscal year 1977 estimate	Increase or de- crease, fiscal year 1978 from fiscal year 1977	Fiscal year 1978 estimate
Public investigations:					
Import injury (TEA of 1962 and TA of 1974).....	1,560	-405	1,155	189	1,344
Under sec. 332 of the Tariff Act of 1930:					
Pursuant to Presidential request.....	179	676	855	-148	707
Pursuant to congress- sional resolution.....	452	58	510	24	534
Initiated on the Commis- sion's own motion.....	176	729	905	48	953
Interference with agricultural programs (AAA).....	41	49	90	4	94
Antidumping (Antidumping Act, 1921).....	506	45	551	25	576
Unfair practices: Secs. 337 and 303 of the Tariff Act of 1930, as amended and secs. 301(c) and 301(e) of the Trade Act of 1974.....	817	877	1,694	13	1,707
Probable economic effect of concessions (TA of 1974)..	106	-106			
Total public investigations..	3,837	1,923	5,760	155	5,915
Furnishing technical information and assistance to—					
Congress.....	335	-6	329	16	345
Federal agencies and the public.....	319	-10	309	41	350
Total furnishing technical information, etc.....	654	-16	638	57	695
Other substantive activities:					
East-West trade reports (sec. 410 of TA of 1974).....	115	19	134	33	167
Relating to trade agreements. Statistical enumeration, code structure and publication...	459	202	661	-48	613
Assembling and analyzing economic and technical information.....	1,263	29	1,292	9	1,301
Other.....	1,411	-499	912	71	983
Other.....	473	-31	442	-20	422
Total other substantive activities.....	3,721	-280	3,441	45	3,486
Total substantive activities..	8,212	1,627	9,839	257	10,096

See footnote at end of table.

COMPARATIVE OBLIGATIONS, BY ACTIVITY—Continued

(In thousands of dollars)

Activities	Fiscal year 1976 actual ¹	Increase or de- crease, fiscal year 1977 from fiscal year 1976	Fiscal year 1977 estimate	Increase or de- crease, fiscal year 1978 from fiscal year 1977	Fiscal year 1978 estimate
Executive direction and adminis- tration:					
Commissioners' offices.....	898	199	1,097	41	1,138
Administration.....	752	120	872	7	879
Severance pay.....		42	42	42	84
Total obligations.....	9,862	1,988	11,850	347	12,197
Less: Estimated reimburse- ments.....	32	-22	10		10
Net obligations.....	9,830	2,010	11,840	347	12,187

¹ Does not include transition quarter.

The Commission has submitted a budget justification to Congress for fiscal year 1978. Copies of this document, entitled "United States International Trade Commission Budget Estimates Fiscal Year 1978", are available for the Commission or the Committee on Finance staff.

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