

CONTINUING UNTIL CLOSE OF JUNE 30, 1953, THE SUSPENSION OF DUTIES AND IMPORT TAXES ON METAL SCRAP

JUNE 26 (legislative day, JUNE 21), 1952.—Ordered to be printed

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

R E P O R T

[To accompany H. R. 6845]

The Committee on Finance, to whom was referred the bill (H. R. 6845) to continue until the close of June 30, 1953, the suspension of duties and import taxes on metal scrap, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

This bill would continue the exemption of metal scrap from import duties and taxes for another year, until the close of June 30, 1953. Import duties and taxes on metal scrap were suspended from March 14, 1942, to June 30, 1949, inclusive, under Public Law 497, Seventy-seventh Congress, and Public Laws 384 and 613, Eightieth Congress. The import duties on metal scrap were again suspended from October 1, 1950, to June 30, 1951, under Public Law 869, Eighty-first Congress. This suspension was extended from June 30, 1951, to the close of June 30, 1952, by Public Law 66, Eighty-second Congress.

Public Law 86, Eighty-first Congress, reads in part as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of March 13, 1942 (ch. 180, 56 Stat. 171), as amended, is hereby amended to read as follows:

"SEC. 1. (a) No duties or import taxes shall be levied, collected, or payable under the Tariff Act of 1930, as amended, or under section 3425 of the Internal Revenue Code with respect to metal scrap, or relaying and rerolling rails.

"(b) The word 'scrap', as used in this Act, shall mean all ferrous and nonferrous materials and articles of which ferrous or nonferrous metal is the component material of chief value, which are second-hand or waste or refuse, or are obsolete, defective or damaged, and which are fit only to be remanufactured."

"SEC. 2. Articles of which metal is the component material of chief value, other than ores or concentrates or crude metal, imported to be used in remanufacture by melting, shall be accorded entry free of duty and import tax, upon submission of proof under such regulations and within such time as the Secretary of the Treasury may prescribe, that they have been used in remanufacture by melting: *Provided, however,* That nothing contained in the provisions of this section shall be construed to limit or restrict the exemption granted by section 1 of this Act."

The rates of duty on the principal types of ferrous and nonferrous metal scrap, the suspension of which would be continued by the bill, are shown in the following table:

Type of scrap	Tariff Act of 1930		Sec. 3425, Internal Revenue Code		
	Paragraph No.	Rate of duty		Rate of import tax	
		Original	As modified by trade agreements	Original	As modified by trade agreements
Iron and steel.....	301.....	75 cents per long ton plus additional duties on alloy content.	37½ cents per long ton plus additional duties on alloy content.	None.....	None.
Aluminum.....	374.....	4 cents per pound.....	1½ cents per pound.....	None.....	None.
Copper.....	1658.....	Free.....	Free.....	4 cents per pound on the copper content.	2 cents per pound on the copper content.
Brass.....	1634.....	Free.....	Free.....	do.....	Do.
Lead (including antimonial lead).....	392.....	2½ cents per pound on lead content.	1½ cents per pound on lead content.	None.....	None.
Magnesium.....	375.....	40 cents per pound.....	20 cents per pound.....	None.....	None.
Nickel and nickel alloy.....	5 or 389.....	25 percent ad valorem or 3 cents per pound.	12½ percent ad valorem or 1¼ cents per pound.	None.....	None.
Zinc (including zinc dross and skimmings).....	394.....	1½ cents per pound.....	¾ cent per pound.....	None.....	None.
Relaying and rerolling rails.....	305 and 322.....	¾ cent per pound plus additional duties on alloy content.	¼ cent per pound plus additional duties on alloy content.	None.....	None.

NOTE.—The metal articles imported to be used in remanufacture by melting are dutiable at various rates of duty.

According to the Tariff Commission, the rates in the above table are the equivalent of an ad valorem rate based on import values in 1951 as follows: Iron and steel scrap, 0.9 percent; aluminum scrap, 9.4 percent; copper scrap, 7.9 percent; brass scrap, 9.4 percent; lead scrap, 8 percent; magnesium scrap, 15.5 percent; nickel and nickel-alloy scrap, 13.1 percent; and zinc scrap, 34.9 percent.¹

Favorable reports on this bill were received from the Office of Defense Mobilization and the Departments of Defense, Treasury, and Commerce. Your committee was also advised that the extension of the suspension of duties and import taxes on metal scrap would be in accord with the program of the President.

In his report to the committee on this bill dated March 14, 1952, the Director of the Office of Defense Mobilization stated:

The present shortage of metal scrap, including both ferrous and nonferrous, is impeding the mobilization program. During this winter several steel furnaces have been shut down in part because of the lack of scrap steel needed in the operations of the furnaces. The shortage of nonferrous scrap has also adversely affected the production of various nonferrous metals. While the scrap campaign which has been put on by the mobilization agencies has resulted in a substantial flow of scrap, this has not been sufficient to supply the needs. In addition, this drive has drawn on the inventories of scrap so that a smaller supply of idle scrap can be counted on for the future. The mobilization agencies do not foresee an ample supply of scrap until well after June 30, 1953.

The Assistant Secretary of Defense stated in his report dated April 4, 1952:

It is anticipated that the demand for metal scrap to meet United States needs during the next 18 months is such that production would be hampered by a short supply. The critical situation which would result from this anticipated shortage could be largely averted by the continuation of the suspension of import duties, inasmuch as the suspension of import duties and taxes provides a margin of profit which makes it feasible to market foreign scrap in the United States. Foreign scrap can supply a considerable portion of the marginal needs beyond the current domestic production of scrap.

During the past year while duties were suspended, imports of steel scrap were almost double the 1949 volume and in the nonferrous field a similar gain was noted. A continuation of the suspension of import duties on metal scrap is considered necessary in order to prevent a reduction in imports on scrap metals and a corresponding reduction in the output of processed metals by United States industry.

The Acting Secretary of Commerce stated in his letter dated March 18, 1952:

An increase in the supply of metal scrap is vital to the national defense. During this winter several steel furnaces have been shut down in part for lack of the scrap steel needed in the operation. The resulting reduction in steel output has increased the critical shortage of steel for defense and civilian needs. Similar shut-downs have occurred in non-ferrous-metal industries for lack of other scrap metals.

The flow of scrap metals to domestic mills, foundries, and smelters from foreign sources may be increased by suspension of the import duties on those materials since suspension of the duties increases the price received by the foreign supplier without necessitating an equivalent increase in the domestic price of the scrap. Accordingly, it would appear to be extremely unwise to allow the import duties on scrap metal to be restored at a time when scrap metal is in critically short supply, since the result might be a reduction in imports of scrap metals, and a corresponding reduction in the output of processed metals by domestic mills, foundries, and smelters. For these reasons, we urge the early enactment of this legislation.

¹ The Tariff Commission states: "The foreign value of zinc scrap imported in 1951, including zinc dross and skimmings, was unusually low in relation to the zinc content thereof. This may represent an error in the statistics. The ad valorem equivalent of the duty on zinc scrap based on import values in 1950 was 6.2 percent."

The Treasury Department advised your committee that it anticipates no unusual administrative difficulties under the provisions of this bill.

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 italics, existing law in which no change is proposed is shown in roman):

ACT OF SEPTEMBER 30, 1950 (PUBLIC LAW 869, 81ST CONG.)

AN ACT To continue until the close of June 30, 1951, the suspension of duties and import taxes on metal scrap, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of March 13, 1942 (ch. 180, 56 Stat. 171), as amended, is hereby amended to read as follows:

"SEC. 1. (a) No duties or import taxes shall be levied, collected, or payable under the Tariff Act of 1930, as amended, or under section 3425 of the Internal Revenue Code with respect to metal scrap, or relaying and rerolling rails.

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"SEC. 2. Articles of which metal is the component material of chief value, other than ores or concentrates or crude metal, imported to be used in remanufacture by melting, shall be accorded entry free of duty and import tax, upon submission of proof, under such regulations and within such time as the Secretary of the Treasury may prescribe, that they have been used in remanufacture by melting: *Provided, however,* That nothing contained in the provisions of this section shall be construed to limit or restrict the exemption granted by section 1 of this Act."

SEC. 2. The amendment made by this Act shall be effective as to merchandise entered, or withdrawn from warehouse, for consumption on or after the day following the date of the enactment of this Act and before the close of June 30, [1952] 1953. It shall also be effective as to merchandise entered, or withdrawn from warehouse, for consumption before the period specified where the liquidation of the entry or withdrawal covering the merchandise, or the exaction or decision relating to the rate of duty applicable to the merchandise, has not become final by reason of section 514, Tariff Act of 1930.