

DUTY-FREE TREATMENT FOR IMPORTS OF COPYING LATHES USED FOR MAKING SHOE LASTS, AND OTHER MATTERS

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

REPORT

[To accompany H.R. 3093]

The Committee on Finance, to which was referred the bill (H.R. 3093) to provide duty-free treatment for certain copying lathes used for making rough or finished shoe lasts and for parts of such lathes, having considered the same, reports favorably thereon with amendments to the text and an amendment to the title and recommends that the bill, as amended, do pass.

I. SUMMARY

H.R. 3093, as amended by the committee, is designed to achieve three objectives:

To provide duty-free treatment for imports of copying lathes, and of parts for such lathes, used for making rough or finished shoe lasts (forms);

To provide for duty-free treatment until July 1, 1980, of imports of certain coarse wool; and

To provide for duty-free treatment of imports of istle, a plant fiber used as upholstery padding and in brushes and brooms.

II. REASONS FOR THE BILL

The provisions of the bill relating to copying lathes for making shoe lasts would make permanent the duty-free treatment of such imports which has existed for the last 21 years under repeated temporary duty suspensions. Duty-free treatment would remove an unnecessary cost to the domestic shoe last industry, which is totally dependent on imports, for the expensive lathes as there is no U.S. production of the lathes, permitting the shoe-last producers to hold

down costs and maintain competitiveness with foreign shoe-last producers.

The provisions of the bill regarding temporary duty-free treatment of imports of coarse wool would make the products of U.S. firms using coarse wool more competitive with imported man-made fiber and woolen products. There is virtually no domestic production of coarse wools.

The provisions of the bill regarding istle would make the products of U.S. producers employing istle more competitive with imported products using istle. There is no domestic production of crude or processed istle fiber. Imported products made from processed istle, such as brushes, are subject to a lower duty rate than the processed istle fiber itself. Domestic producers of brushes claim that duty-free treatment of processed istle is needed to remain competitive with imported brushes. The duty has been suspended for nearly 20 years. Because istle is duty free under the Generalized System of Preferences, the major effect of this provision of the bill for the near term would be to end the requirement that importers file GSP forms.

III. GENERAL EXPLANATION

A. COPYING LATHES

The first section of the bill would add new item 674.41 to the Tariff Schedules of the United States (TSUS), providing for duty-free treatment of column 1 (MFN) and column 2 (non-MFN) imports of copying lathes used for making rough or finished shoe lasts. It also would add new TSUS item 674.48, providing duty-free treatment of column 1 and column 2 imports of parts and accessories for copying lathes provided for in TSUS item 674.41. TSUS item 911.70, which provides for temporary duty-free treatment through June 30, 1976, of products which would be granted permanent duty-free treatment under new TSUS items 674.41 and 674.48, would be repealed. Imports of copying lathes and parts would be duty-free under the first section if entered, or withdrawn from warehouse, for consumption after the date of enactment of H.R. 3093, and, upon request, if entered or withdrawn after June 30, 1976, but before the date of enactment of H.R. 3093.

Imports of copying lathes used for making rough or finished shoe lasts are now dutiable under column 1 of TSUS item 674.42 at 5 percent ad valorem, unless imported from a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences, and under column 2 at 35 percent ad valorem. Imports of parts and accessories for copying lathes are dutiable under TSUS items 674.50, 674.51, and 674.53 at column 1 rates ranging from zero to 7.5 percent ad valorem, and at column 2 rates ranging from 10 to 45 percent ad valorem.

Copying lathes are used for making rough or finished shoe lasts from models of shoe lasts. The lathes can produce different sizes of shoe lasts by using different sized models. The duty on copying lathes for shoe lasts was first suspended in 1956. The suspension was continued by several temporary suspension laws, the last suspension having expired on June 30, 1976. The duty suspension was enacted initially and has been continued to reduce the cost of highly specialized and expensive copying lathes for domestic shoe-last manufacturers.

There is currently no domestic production of such lathes, domestic production having ceased during the mid-1950's. During the 5-year period from 1972 to 1976, Italy provided 96 percent of the imports and West Germany provided the rest. During 1974, the last year for which complete statistics are available, imports of lathes were valued at \$60,942 and imports of parts were valued at \$3,496.

The Subcommittee on International Trade of the Committee on Finance held hearings on these provisions of the bill on July 14, 1977. No objections to them were heard. The Department of Commerce submitted a report stating no objection to the enactment of the provisions. The U.S. International Trade Commission submitted an information report.

B. COARSE WOOL

Section 2 of the bill is a Committee amendment containing the substance of H.R. 3946, 95th Congress. It would add new items 905.10 and 905.11 to the Appendix to the TSUS, providing duty-free treatment for imports under either column 1 (MFN) or column 2 (non-MFN) of coarse improved and unimproved wool entered, or withdrawn from warehouse, for consumption before July 1, 1980. A new provision also would be added to the Appendix to the TSUS to avoid any indirect effect upon the applicable rate of duty for imports of packages containing wools subject to different rates of duty. Coarse improved and unimproved wool is currently dutiable under TSUS items 306.00 through 306.24 and 306.30 through 306.34 at column 1 rates of duty ranging from zero to 33 cents per pound and column 2 rates of duty ranging from zero to 44 cents per pound.

Improved wool is from sheep improved by the breeding of merino or English sheep with other sheep. Coarse improved wool not finer than 46s—the grades range from 36s (very coarse) to 80s (very fine)—is used in blankets, upholstery fabrics, felts, and floor coverings. Coarse unimproved wool is used in carpets.

Domestically produced wool is almost entirely improved wool, of grades finer than 46s, used in the manufacture of wearing apparel. Less than 5 percent of the domestically produced improved wool meets the specifications of coarse wool, not finer than 46s. There is no domestic production of unimproved wool.

There are approximately 126,000 farms and ranches in the United States engaged in the production of sheep and wool. Iowa and Ohio have the most sheep farms—12,500 and 13,000 respectively. Texas, with 9,000 sheep operations, is the leading wool-producing State and accounts for 20 percent of total U.S. production. The western States in general are important wool growing areas while numerous farm flocks are kept in such States as Virginia, Pennsylvania, and New York.

Domestic manufacturing using dutiable coarse wools is believed to be limited to relatively few firms engaged primarily in the production of blankets. The combined production of wool blankets by 5 companies may account for about 90 percent of total U.S. output of wool blankets. These firms along with other manufacturers using these wools face intense competition from imports of similar man-made fiber and wool products.

New Zealand has been the leading source of U.S. imports of dutiable wools graded not finer than 46s, although Argentina, Australia, and the United Kingdom compete in this market. Iraq is the leading supplier of unimproved wools.

The elimination of the duties provided for in section 2 of this bill would directly affect the level of accumulated payments made under the National Wool Act of 1954. The act provides a price support mechanism for wool producers administered by the Secretary of Agriculture. Total program payments from the date of enactment in May 1954 may not exceed 70 percent of the cumulative gross receipts of import duties collected after December 31, 1952, on all wool and wool products. By reducing gross duty receipts, section 2 of this bill could limit price support payments. This would be unlikely to occur in the near future, if at all, since annual program costs covering 1955-74 averaged \$54 million, while 70 percent of total receipts from duty collections averaged \$75 million.

The Subcommittee on International Trade held hearings on H.R. 3946 on July 14, 1977. Favorable testimony was received by the subcommittee. No objections were heard. The Department of Commerce submitted a report favoring enactment of the bill. The U.S. International Trade Commission submitted an information report.

C. ISTLE

Section 3 of the bill is a committee amendment containing the substance of H.R. 5322, 95th Congress. It would repeal TSUS items 192.65, 192.70, and 903.90 and add a new TSUS item 192.66 providing for duty-free treatment under column 1 (MFN) and column 2 (non-MFN) of istle fibers whether crude or processed. Imports of crude istle fiber under present law receive duty-free treatment under column 1 and column 2 of TSUS item 192.65. Imports of processed istle fiber are dutiable at 20 percent ad valorem under column 1 and column 2 of TSUS item 192.70, unless the istle is imported from a beneficiary developing country eligible for duty-free treatment under the Generalized System of Preferences. Most imports come from Mexico, which is eligible under GSP for duty-free treatment. Under TSUS item 903.90, the column 1 and column 2 rates of duty on processed istle under item 192.70 are suspended until July 1, 1978.

Istle is a plant fiber used in its crude form for cordage and as upholstery padding and in its processed form for bristles in a variety of brushes and brooms. There is apparently no U.S. production of istle in its crude or processed forms. Virtually all imports are from Mexico, which receives GSP duty-free treatment on such imports. The value of istle imports in 1976, virtually all of which were processed istle, was \$4.2 million.

Domestic producers of brushes claim that duty-free treatment of processed istle is needed to remain competitive with imported brushes. The duty has been suspended for nearly 20 years. Because istle is duty free under GSP, the major effect of this section of the bill would be to end the requirements that importers file GSP forms.

The Subcommittee on International Trade held a hearing on H.R. 5322 on July 14, 1977. Favorable testimony was received by the subcommittee. No objections were received from any source. The Department of Commerce submitted a report favoring enactment of the bill. The U.S. International Trade Commission submitted an information report.

IV. CUSTOMS REVENUE EFFECT OF CARRYING OUT THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the committee estimates the customs revenue effect from carrying out this bill as follows:

With respect to the provisions regarding copying lathes and parts thereof, approximately a \$3,300 loss per annum;

With respect to the provisions regarding coarse wool, approximately a \$389,000 loss per annum; and

With respect to the provisions regarding istle, there is no revenue effect.

In compliance with section 403 of the Congressional Budget Act of 1974, the Director of the Congressional Budget Office has submitted a statement to the committee that the Director has examined the revenue estimates prepared by the committee and agrees with them.

V. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the committee states that the bill, as amended, will not regulate any individuals or businesses.

VI. VOTE OF COMMITTEE

In compliance with section 133 of the Legislative Reorganization Act of 1946, the committee states that the bill, as amended, was ordered favorably reported by voice vote.

VII. CHANGES IN EXISTING LAW

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

TARIFF SCHEDULES OF THE UNITED STATES

SCHEDULE 1.—ANIMAL AND VEGETABLE PRODUCTS

Item	Articles	Rates of duty	
		1	2
PART 15.—OTHER ANIMAL AND VEGETABLE PRODUCTS			
Subpart G.—Miscellaneous Vegetable Products			
	Isle:		
192.65	Crude.....	Free.	Free.
192.70	Processed.....	20% ad val.	20% ad val.]
192.66	Isle.....	Free	Free

SCHEDULE 6.—METALS AND METAL PRODUCTS

Item	Articles	Rates of duty	
		1	2
PART 4.—MACHINERY AND MECHANICAL EQUIPMENT			
Subpart F.—Machines for Working Metal, Stone, and Other Materials			
Other machine tools:			
674.40	Reciprocating gang-saw machines.....	5.5% ad val.	35% ad val.
674.41	Copying lathes used for making rough or finished shoe lasts from models of shoe lasts and, in addition, capable of producing more than one size shoe last from a single size model of shoe last.....	Free	Free
674.42	Other.....	5% ad val.	35% ad val.
674.48	Work and tool holders and other parts of, and accessories used principally with, copying lathes provided for in item 674.41....	Free	Free
Work and tool holders and other parts of, and accessories used principally with, [machine tools] machine tools (other than copying lathes provided for in item 674.41); tool holders for the mechanical hand tools provided for in items 651.27, 674.70, and 683.20:			
674.50	Tool holders.....	7.5% ad val.	45% ad val.
Other:			
674.51	Parts: Cast-iron (except malleable cast-iron) parts, not alloyed and not advanced beyond cleaning, and machined only for the removal of fins, gates, sprues, and risers or to permit location in finishing machinery.....	Free	10% ad val.
Other:			
674.52	Parts of metal-working machine tools for cutting or hobbing gears.....	10% ad val.	45% ad val.
674.53	Other parts.....	7% ad val.	35% ad val.
Accessories:			
674.55	Machines.....	5% ad val.	35% ad val.
674.56	Other.....	9.5% ad val.	45% ad val.

APPENDIX TO THE TARIFF SCHEDULES

Item	Articles	Rates of duty		Effective period
		1	2	
PART 1.—TEMPORARY LEGISLATION				
Subpart B.—Temporary Provisions Amending the Tariff Schedules				
Subpart B headnotes:				
1. Any article described in the provisions of this subpart, if entered during the period specified in the last column, is subject to duty at the rate set forth herein in lieu of the rate provided therefor in schedules 1 to 8, inclusive.				
2. Articles exempted under item 915.25 from the payment of duty shall be exempt also from the payment of any internal revenue tax imposed upon or by reason of importation.				
3. (a) Items 911.10, 911.11, 911.13, 911.14, 911.15, and 911.16 shall not apply when the market price of copper is under 51 cents per pound.				
(b) For purposes of subparagraph (a), the market price of copper has the meaning assigned to it by headnote 5(b) of the headnotes of schedule 6, part 2, subpart C.				
4. For so long as items 905.10 and 905.11 are in effect, headnotes 3, 4, and 5 of subpart C of part 1 of schedule 3 shall be suspended (except insofar as they relate to hair of the camel) and in lieu thereof—				
(a) for purposes of item 307.40—				
(i) the classification provisions for wool not finer than 46s shall apply to any package of wool containing not over 10 percent by weight of wool finer than 46s but not containing wool finer than 48s; and				
(ii) the citation for imports classifiable under item 307.40 shall be such item number followed by the item number for the part of the contents of the package which determines the rate of duty; and				
(b) for purposes of item 905.11, a tolerance of not more than 10 percent of wools not finer than 48s may be allowed in each bale or package of wools imported as not finer than 46s.				
903.90	Istle, processed (provided for in item 192.70, part 15G, schedule 1)	Free	Free	On or before 6/30/78.]
905.10	Wool (provided for in part 1C, schedule 3): All wool provided for in items 306.00 through 306.24	Free	Free	On or before 6/30/80.
905.11	Other wool not finer than 46s provided for in items 306.50 through 306.54	Free	Free	On or before 6/30/80.
911.70	Copying lathes used for making rough or finished shoe lasts from models of shoe lasts and, in addition, capable of producing more than one size shoe last from a single size model of a shoe last (provided for in item 674.42, part 4F, schedule 6), and parts thereof provided for in items 674.50, 674.51, and 674.53	Free	Free	On or before 6/30/76.]

