

SUSPENSION OF DUTIES ON CERTAIN FORMS OF COPPER

JUNE 16, 1970.—Ordered to be printed

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

REPORT

[To accompany H.R. 17241]

The Committee on Finance, to which was referred the bill (H.R. 17241) to continue until the close of June 30, 1972, the existing suspension of duties on certain forms of copper, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE

H.R. 17241 would continue from July 1, 1970, through June 30, 1972, the present suspension of duties applicable to unwrought copper (except nickel silver), copper waste and scrap, and copper articles imported to be used in remanufacture by melting. It would also continue the suspension of the additional duties applicable to the copper content of certain copper-bearing ores and materials for the same period. Such duties have been suspended for approximately 6 years to relieve the tight copper shortage in the United States and for purposes of national defense.

GENERAL STATEMENT

Copper is a metal of vital importance to the Nation's defense and nondefense needs. It is used in the electrical industry in the manufacture of generators, motors, locomotives, telephone and telegraph equipment, light and power transmission lines, and numerous other items. It is consumed by the copper-base alloy industry in the manufacture of products used in building construction, principally plumbing and roofing materials, and in the manufacture of automobiles and trucks, in shipbuilding, in the production of ammunition, and for a wide variety of other purposes.

The existing suspension of duty and previous suspensions of duty on copper were enacted to relieve the tight copper situation. During 1967 and 1968 imports of copper were temporarily increased as a result of an extended strike in the copper industry. Imports subsequently declined, but the short supply situation continues to exist.

Although direct defense requirements (215,000 tons for the year) have been falling since the first quarter of 1969 and are estimated to be lower for 1970 by approximately 10,000 tons, copper is expected to continue in tight supply in the United States and worldwide for some time to come. The United States must import, in normal market conditions, about 10 percent of its copper supply, but imported as much as 27 percent in 1967, as a result of the domestic copper industry strike. The economic conditions which led to the current suspension of the duty are expected to continue.

All suspensions of the duties would be inapplicable during any period in which the price of electrolytic copper in standard shapes and sizes, delivered Connecticut Valley, is below 36 cents per pound as determined in the manner prescribed by headnote 5, subpart 2C, schedule 6, of the Tariff Schedules of the United States (TSUS). The current (May 1, 1970) delivered price for domestically-produced electrolytic copper is 60-60.25 cents per pound compared with a foreign price for electrolytic copper of about 76 cents per pound.

Under this bill the duties and additional duties that would be suspended during 1970-72 (although expressed in several ways in the tariff schedules, amounting in each case to a specific rate per pound of pure copper which may be commercially obtained from the imported article, except in the case of nickel silver waste and scrap for which there is the specific rate per pound of the commercially recoverable copper content plus an ad valorem duty) would be as follows, provided the price of copper is no less than 36 cents per pound:

Item	1970	1971	1972
Duty imposed on copper content per pound.....	1.1¢	1¢	0.8¢
Additional duty imposed on nickel-silver waste and scrap.....	7% ad val.	6% ad val.	5% ad val.

However, should the price of copper drop below 24 cents per pound, the following rates of duty would be imposed by virtue of headnote 5, subpart 2C, schedule 6, of the TSUS:

Item	1970	1971	1972
Duty imposed on copper content per pound.....	1.4¢	1.2¢	1¢
Additional duty imposed on nickel-silver waste and scrap.....	7% ad val.	6% ad val.	5% ad val.

The average prices for both domestic and foreign copper increased considerably between January 1969 and March 1970; the domestic price rose 29 percent and the London Metal Exchange spot delivery price 38 percent (see attached table).

As long as the world price of copper remains substantially higher than the price prevailing in the United States, it is likely that the tight copper situation will continue. The United States remained a net importer of copper in 1969.

The Department of Commerce, in a communication to your committee on June 3, 1970, made the following comments:

A further suspension of the duty is expected to provide savings to domestic copper mills, and have a salutary effect on price.

No adverse effects of the present suspension on the overall interests of domestic copper producers have been in evidence, and this lack of adverse effects is expected to continue.

Early this year, the Copper Subcommittee of the Cabinet Committee on Economic Policy, chaired by a member of the Council of Economic Advisers, conducted a study of the copper industry. During this study, 28 firms, representing domestic copper producers and users were interviewed. One of the questions in the interview requested their views on the copper duty suspension. None of these companies expressed opposition to the suspension.

The committee, therefore, recommends enactment of this legislation.

REFINED COPPER: COPPER PRICES OF PRIMARY COPPER SOLD IN THE UNITED STATES AND ON THE LONDON METAL EXCHANGE, JANUARY 1969 TO APRIL 1970

[Cents per pound]

Year and month	U.S. producers' average price, f.o.b. refinery for copper sold for ¹ —		London Metal Exchange average price for wire bars	
	Domestic use	Export	Spot delivery	3-month delivery
1969:				
January.....	43.5	52.1	56.6	55.6
February.....	43.8	52.9	58.0	55.6
March.....	44.4	53.8	57.7	56.6
April.....	44.6	57.7	62.7	61.3
May.....	45.5	58.1	62.8	61.0
June.....	46.0	61.1	66.9	62.9
July.....	46.0	61.6	65.6	63.4
August.....	47.9	68.0	72.1	69.5
September.....	51.4	68.5	71.1	70.3
October.....	52.1	66.7	70.2	69.5
November.....	52.1	69.8	73.6	72.5
December.....	52.5	72.5	76.7	73.8
1970:				
January.....	55.8	69.6	72.6	71.4
February.....	56.0	(?)	73.9	72.1
March.....	56.0	(?)	78.3	75.1

¹ Includes ordinary forms of wire bars and ingot bars.

² Not available.

Source: "Metals Week," a McGraw-Hill publication.

Note: Beginning February 1970, the producers' weighted average price was calculated by using data on production rather than sales as previously used. At the same time the export price was discontinued.

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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APPENDIX TO THE TARIFF SCHEDULES

PART I.—TEMPORARY LEGISLATION

Item	Articles	Rates of duty			Effective period
		1-a	1-b	2	
*	* * *	*	*	*	*
*	SUBPART B.—TEMPORARY PROVISIONS AMENDING THE TARIFF SCHEDULES	*	*	*	*
	Metal waste and scrap (provided for in part 2, schedule 6), except lead, zinc, and tungsten waste and scrap; unwrought metal (except copper, lead, zinc, and tungsten) in the form of pigs, ingots, or billets (a) which are defective or damaged, or have been produced from melted down metal waste and scrap for convenience in handling and transportation without sweetening, alloying, fluxing, or deliberate purifying, and (b) which cannot be commercially used without remanufacture; relaying or rerolling rails, and articles of metal (except articles of lead, of zinc, or of tungsten, and not including metal-bearing materials provided for in schedule 4 or in part 1 of schedule 6 and not including unwrought metal provided for in part 2 of schedule 6) to be used in remanufacture by melting:				
911.10	Copper waste and scrap.....	Free.....	No change..	No change..	On or before [6/30/70] 6/30/72.
911.11	Articles of copper.....	Free.....	No change..	No change..	On or before [6/30/70] 6/30/72.
911.12	Other.....	Free.....	Free.....	Free.....	On or before 6/30/71.
		Rates of duty			Effective period
		1	2		
911.13	Copper bearing ores and materials (provided for in items 602.30 or 603.50, part 1, schedule 6).	Free of duty imposed on copper content under items 602.30 or 603.50	No change..		On or before [6/30/70] 6/30/72.
		Rates of duty			Effective period
		1-a	1-b	2	
911.14	Cement copper and copper precipitates (provided for in item 612.02, part 2C, schedule 6)	Free.....	No change..	No change..	On or before [6/30/70] 6/30/72.
911.15	Black copper, blister copper, anode copper (provided for in item 612.03, part 2C, schedule 6).	Free.....	No change..	No change..	On or before [6/30/70] 6/30/72.
911.16	Other unwrought copper (provided for in item 612.06, part 2C, schedule 6).	Free.....	No change..	No change..	On or before [6/30/70] 6/30/72.

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