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SENATE }

REPORT  
No. 1632

## TEMPORARY SUSPENSION OF DUTIES ON METAL SCRAP

JUNE 27, 1962.—Ordered to be printed

Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

### REPORT

[To accompany H.R. 10095]

The Committee on Finance, to whom was referred the bill (H.R. 10095) to continue until the close of June 30, 1963, the suspension of duties for metal scrap, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### PURPOSE

The purpose of H.R. 10095 is to amend section 2 of Public Law 869, 81st Congress, as amended, to continue for 1 year (from the close of June 30, 1962, to the close of June 30, 1963) the suspension of duties on metal scrap. The bill contains the existing proviso that the suspension shall not apply to lead scrap, lead alloy scrap, antimonial lead scrap, scrap battery lead or plates, zinc scrap, or zinc alloy scrap; or to any form of tungsten scrap, tungsten carbide scrap, or tungsten alloy scrap; or to articles of lead, lead alloy, antimonial lead, zinc, or zinc alloy; or to articles of tungsten, tungsten carbide, or tungsten alloy, imported for remanufacture by melting. The bill also provides that the exemption from duty of any article under this bill will not affect the applicability of section 4541 of the Internal Revenue Code of 1954.

#### GENERAL STATEMENT

The temporary suspension of the duties on imports on metal scrap provided under present law (Public Law 86-606, 86th Cong.) to the close of June 30, 1962, makes free of duty imports of metal scrap including such principal types of scrap as iron and steel, aluminum, magnesium, nickel, and nickel alloys. The bill would continue this suspension through June 30, 1963. The suspension of duties as provided under present law and its proposed extension under your

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committee's bill are of no significance with respect to the tariff treatment of imports of tin and tinplate scrap, because imports of such scrap, along with imports of tin in other unmanufactured forms, would not be subject to duty or import taxes in any case.

Section 2 provides that this suspension shall not affect the applicability of section 4541 of the Internal Revenue Code of 1954 to the articles exempted from duty by the bill. In general, section 4541 of the Internal Revenue Code of 1954 imposes an import tax on certain copper-bearing ores and concentrates, other articles of which copper is the component material of chief value, and other articles containing 4 percent or more of copper by weight. Any article exempted from duty under the bill would be subject to these taxes where the same are applicable.

Scrap of the various nonferrous metals, whether imported or of domestic origin, may be considered for most purposes simply as relatively small components in the total U.S. supplies of the respective metals, although some manufacturers depend wholly on metal scrap as a source of raw material. The relation of iron and steel scrap to the total supplies of iron and steel is somewhat different from that existing with respect to nonferrous metals. This is because the economical production of steel by the open-hearth process requires that part of the iron-bearing materials used consist of heavy melting scrap. Thus, much iron and steel scrap constitutes a material important to the domestic production of steel. Despite the fact that imports of scrap metals have not in the past few years constituted important components of the total supplies of the various metals, the imports in some cases have represented important sources of the metals for limited numbers of consumers of such metals in some sections of the country.

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                | Paragraph No. | Rate of duty  |
|------------------------------|---------------|---|
| Iron and steel.....          | 301.....      | 37½ cents per long ton plus additional duties on alloy content. |
| Aluminum.....                | 371.....      | 1½ cents per pound.   |
| Nickel and nickel alloy..... | 5 or 389..... | 10½ percent ad valorem or 1½ cents per pound.                   |
| Tin and tinplate.....        | 1780.....     | Free.   |
| Magnesium.....               | 375.....      | 50 percent ad valorem. <sup>1</sup>                             |

<sup>1</sup> Under concessions granted in recently completed trade agreement negotiations, this rate is scheduled to be reduced to 45 percent on July 1, 1962, and to 40 percent on July 1, 1963.

Relaying and rerolling rails would, in the absence of this legislation, be dutiable at the rate of one-twentieth of 1 cent per pound plus additional duties on alloy content under paragraphs 305 and 322 of the Tariff Act of 1930, as modified. Other metal articles not considered scrap within the meaning of the tariff classifications but imported to be used in remanufacture by melting are also exempt from duty under Public Law 869 of the 81st Congress. Such articles would be dutiable, in the absence of special legislation, at various rates too numerous to mention in this report.

The Department of Commerce has stated that—

the quantities of such imports are not large in comparison with domestic consumption and, for certain types of metal scrap, exports exceed imports. For example, on the basis of preliminary data for 1961, domestic consumption of iron and steel scrap was 63,840,000 short tons, exports were 9,458,000 short tons, and imports were 235,350 short tons.

Imports of lead and zinc scrap are limited by absolute quotas in effect since October 1, 1958.

Favorable reports on the bill were received from the Departments of Treasury, State, Defense, Commerce, and Labor. An informative report was received from the U.S. Tariff Commission. No information which would indicate any opposition to this legislation has been received.

#### 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 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):

#### PUBLIC LAW 869, 81ST CONGRESS

*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, but does not include such nonferrous materials and articles in pig, ingot, or billet form which have passed through a smelting process and which can be commercially used without remanufacture.<sup>1</sup>

"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

<sup>1</sup> For the information of the Members of the House, the text of section 1 of the act of March 13, 1942, is shown as amended by section 3 of the Public Law 85-453.

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and before the close of June 30, [1962] 1963. 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.

