

TEMPORARY SUSPENSION OF DUTY ON CATALYSTS OF PLATINUM AND CARBON USED IN PRODUCING CAP- ROLACTAM

SEPTEMBER 25, 1974.—Ordered to be printed

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

REPORT

[To accompany H.R. 13370]

The Committee on Finance, to which was referred the bill (H.R. 13370) to suspend until June 30, 1976, the duty on catalysts of platinum and carbon used in producing caprolactam, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

I. SUMMARY

HOUSE BILL

The House bill would provide for a temporary suspension until June 30, 1976 of the duty on catalysts of platinum and carbon used in producing caprolactam.

COMMITTEE BILL

The Committee amendment would limit the period of suspension until June 30, 1975, instead of the June 30, 1976, date in the House bill.

II. GENERAL STATEMENT

Caprolactam is a chemical used in producing nylon-6 which, in turn, is used mainly in the manufacture of fabrics, tires and plastics. Caprolactam is produced by three firms domestically. One of the domestic producers has initiated a new process for producing caprolactam

which utilizes specifically designated and compounded catalysts of platinum and carbon. Although there are several domestic producers of catalysts of carbon and platinum, no one producer is yet capable of supplying the type of catalysts necessary to be utilized in this new process. As a result domestic manufacturers who must currently rely on foreign catalysts must pay repeated duties on the same product each time the catalyst is exported for reconditioning and imported. Thus, the same product currently must bear the unreasonable burden of multiple duties.

It has come to the Committee's attention that several U.S. producers are in the process of developing new catalysts which should, in time, be adequate for use in the new caprolactam process. Accordingly, the Committee agreed to limit the period of the duty suspension until June 30, 1975, at which time it is estimated the domestic producers will be able to supply catalysts appropriate for this new caprolactam process.

It is the understanding of the Committee that since the domestic producers of catalysts should be able to supply the new catalysts needed, the Committee does not expect that the duty suspension on catalysts of platinum and carbon will have to be extended beyond the period of June 30, 1975. It is important to note in this regard that the Committee has approved this duty suspension only because the required catalysts are not as yet available from domestic producers. The Committee hopes that by limiting the period of suspension until June 30, 1975, domestic catalyst producers will have an incentive to develop the necessary catalysts. It is also the Committee's understanding that the domestic producer which has initiated the new caprolactam process will utilize to the maximum extent possible domestic sources of platinum and carbon catalysts following the termination of duty suspension adopted herein.

The platinum and carbon catalysts are dutiable under item 656.05 of the Tariff Schedules of the United States (TSUS) as articles of platinum at a rate of duty of 20 percent ad valorem from countries enjoying most-favored-nation status and at a rate of duty of 65 percent ad valorem on imports from Communist countries (except Poland and Yugoslavia).

In developing and putting into operation the new process for producing caprolactam, the firm utilizing the new process has been importing the catalysts of platinum and carbon from West Germany, and the Committee is informed that the producer imports about a \$300,000 shipment of the catalysts every three months.

Generally, the usefulness of precious metal catalysts such as these can be extended from time to time by restoring the carbon base. Such an operation is normally performed by the user in his plant. In this case, however, neither the caprolactam producer nor domestic catalyst manufacturers have, as yet, been able to restore the carbon base in an economic manner under the new caprolactam process. Thus, it has been necessary for the caprolactam producer to return the spent catalysts

containing the platinum to the German manufacturer in order that the platinum may be recycled into new catalysts.

Under existing provisions of the Tariff Schedules, each entry of the platinum and carbon catalysts is dutiable despite the fact that such catalysts contain platinum on which U.S. duty has been paid previously. The necessity to repeatedly pay duty on imports of a product containing precious metals on which the duty has already been paid is an unreasonable cost burden in the domestic production of a chemical already in short supply.

The duty would be suspended on imports of catalysts of platinum and carbon when imported for use in producing caprolactam on or after the date of enactment. In addition, the bill provides that upon appropriate request, entries after October 1, 1973, and before the date of enactment may also be accorded duty-free treatment.

It is the Committee's understanding that the bill, as amended, has the support of domestic catalysts producers as well as the domestic caprolactam manufacturers. The Committee also understands that the Department of Commerce has no objection to the bill as amended. The Committee is unaware of any objection to the bill on the part of any other interested parties. In view of the circumstances under which the catalysts of platinum and carbon are being imported (for use in producing caprolactam), the Committee feels that H.R. 13370, as amended, is meritorious.

III. COSTS OF CARRYING OUT THE BILL AND EFFECT ON THE REVENUES OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect on the revenues of the bill. The Committee estimates that the temporary suspension of duties on catalysts of platinum and carbon used in producing caprolactam will result in a revenue loss during its period of effectiveness of not more than \$240,000.

IV. VOTE OF COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote of the Committee on reporting the bill. This bill was ordered favorably reported by the Committee without a rollcall vote and without objection.

V. 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
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				
		Rates of Duty			Effective Period
		1-a	1-b	2	
911.6	Other unwrought copper (provided for in item 612.06, part 2C, schedule 6)	Free	No change	No change	On or before 6/30/74
		Rates of Duty			Effective Period
		1	2		
911.40	Catalysts of platinum and carbon (provided for in item 656.05, part 3G, schedule 6) when imported for use in producing caprolactam	Free	Free		On or before June 30, 1975

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