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FILE REFERENCE No. 2244

***Via Facsimile: 202-225-2610
and via email***

Congressman Philip M. Crane (R-IL), Chairman
Subcommittee on Trade of the Committee on Ways and Means
U.S. House of Representatives
1104 Longworth Building
Washington, D.C. 20510

Re: H.R. 4138; Bill to Suspend The
Duty Rate On Certain Yttrium Oxides and
Europium Oxides

Dear Sir:

On behalf of Grand Northern Products, of Grand Rapids, Michigan, we are writing to register our strong support for passage of H.R. 4138, which would amend subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States by inserting in numerical sequence the following new heading: 9902.28.02 Yttrium oxides and europium oxides, both having a purity of at least .9999 (CAS Nos. 1314-36-9 and 1308-96-7) (provided for in subheading 2846.90.80), as temporarily duty-free. This letter will address arguments regarding yttrium oxide, as Grand Northern imports yttrium oxide

and not europium oxide. In our opinion, there are several cogent reasons for passage of the bill:

1. There is no comparable yttrium oxide industry in the United States. Therefore, there is no U.S. industry of these types of products to protect.
2. H.R. 4138 bill should be modified so that the purity level of yttrium and europium oxides covered by this bill is 99.9%, instead of 99.99%.
3. Suspending the duty on yttrium oxide would reduce costs in the military arena, because many of the yttrium oxide imports are used to manufacture products in the defense sector.
4. In addition, yttrium oxide, which is classified under tariff subheading 2846.90.80, is not competitive with any products that are made in the United States. Thus, this bill would not be a controversial one.
5. It is our belief that the loss of revenue from suspending the duty on the type of yttrium oxide in issue would be less than \$500,000. Therefore, the loss of revenue collection to the U.S. Government from passing this bill would be comparatively small.
6. In our opinion, the provisions of this bill would be easy to administer by the Customs Service.
7. If available information is not available on europium oxide importations, we request that the bill nevertheless be passed for yttrium oxide.
8. Finally, we believe that H.R. 4138 should be made retroactive to entries made on or after January 1, 2002.

In summary, we believe that there are strong merits for passage of H.R. 4138.

Additional information, as well as a more detailed explanation of the reasons for suspending the duty rate on the product in issue is as follows:

Description of Grand Northern Products

Grand Northern Products, of Grand Rapids, Michigan, has been an importer of yttrium oxide products from Europe for many years. Among the items that Grand Northern imports is an yttrium oxide product that has a purity of at least .9999.¹ Yttrium oxide is utilized after importation in a variety of applications, such as being used for the production of ceramic moulds in the investment casting industry for the casting of structural parts for airplanes. Another area where yttrium oxides are used would include plasma spray powders for coating turbine engines used in airplanes. A major application for yttrium oxides are co precipitates used for the production of phosphors, which are a main component of cathode ray tubes used in radar and TV screens and other lighting devices. In summary, yttrium oxide has significant uses for products destined for the defense and commercial airplane sectors.

No Future Duty Reductions As The Result of GATT Negotiations

Although there are staged reductions under the Uruguay Round for many tariff items, we wish to advise the Subcommittee on Trade that there are no staged duty reductions with respect to HTS 2846.90.80.

¹ The bill covers yttrium oxide of being of purity of .9999; however, we interrupt this to mean that the purity is 99.99%. Thus, in this letter, the purity will be referred

Therefore, we urge passage of H.R. 4138 to reduce the duty rate on imported yttrium oxide.

Summary Of Reasons as to Why The Duty Rate On Yttrium Oxide Should Be Suspended

- 1. There is no comparable yttrium oxide industry in the United States. Therefore, there is no U.S. industry of these types of products to protect.**

Based upon information available, there is no known-U.S. production of yttrium oxide of this purity (99.99%) in the United States. We understand that Molycorp, which operates in Mountain Pass, California, ceased its production of yttrium oxide a few years ago. In addition, the Rhodia Corporation also stopped its U.S. production of this production. Thus, the suspension of the duty rate on yttrium oxide of 99.99% (or 99.9%) purity will not damage any U.S. industry.

We wish to bring to the Subcommittee's attention that pursuant to Presidential Proclamation 6763 of December 23, 1994, HTS 2846.90.50 was superseded by HTS 2846.90.40 and 2846.90.80. HTS 2846.90.40 provides for a duty free rate for:

Yttrium bearing materials and compounds containing by weight more than 19 percent but less than 85 percent yttrium oxide equivalent.

Yttrium oxide with a purity of at least 99.99% (or 99.9%) is above the cut-off percentage of 85%, it is not covered by HTS 2846.90.40; rather it is

to as 99.99%.

dutiable under 2846.90.80, under the “other” provision. Since there is no longer any domestic production yttrium oxide in the U.S., it does not make sense to provide for duty free treatment of yttrium bearing materials less than 85% yttrium oxide and assess a duty rate for 3.7% for yttrium bearing materials above 85%. Enacting H.R. 4138 would make the duty rate of essentially pure yttrium oxides consistent with the yttrium oxides covered by HTS 2846.90.40.

2. H.R. 4138 bill should be modified so that the purity level of yttrium and europium oxides covered by this bill is 99.9%, instead of 99.99%.

As written, H.R. 4138 would cover yttrium and europium oxides of 99.99% purity. This requires a very high level of purity, and in the opinion of Grand Northern, we think that the level established under this bill is too strict. Rather, Grand Northern believes that the level should be set at 99.9% to include almost essentially pure yttrium and europium oxide products that have very small amounts of impurities. Besides, since there is no U.S. production of yttrium oxide, there would be no harm in reducing the level of purity from 99.99% to 99.9%.

3. Suspending the duty on yttrium oxide would reduce costs in the military and commercial aircraft arenas, because yttrium oxide imports are used to manufacture products in these sectors.

We outlined above some of the products that yttrium oxide is used to make. Examples of these would include co-precipitates for the production of phosphors, being a main component of cathode ray tubes used in radar and TV-screens, some of which have end-use applications in the military and airplane industry. Another area where yttrium oxides are used is the investment casting industry, where it is used in ceramic moulds for the casting of structural parts for airplanes. A further application would include plasma spray powders, which are used in coating turbine engines used in airplanes. In summary, yttrium oxide has significant uses for products destined for the defense and commercial airplane sectors.

Suspending the duty rate of the type of yttrium oxide would help in reducing the costs of products used in our nation's defense industry. In addition, it would help with minimizing costs for the commercial airline industry, which has been hard hit since Sept. 11.th Therefore, we believe that passage of H.R. 4183 would be of help to these sectors.

4. Yttrium oxide, which is classified under tariff subheading 2846.90.80, is not competitive with any products that are made in the United States. Thus, this bill would not be a controversial one.

As noted above, there are a number of reasons as to why this bill does is not expected to raise any opposition to its passage. First of all, it is our belief that there is no known production of yttrium oxide of this purity (99.99% or 99.9%) in the United States. Both Molycorp and Rhodia Corporation, who used to produce yttrium oxide, have ceased their production of this product. Thus, H.R. 4138 is not a controversial bill.

5. It is estimated that the loss of revenue from suspending the duty on the type of yttrium oxide in issue would be less than \$500,000. Therefore, the loss of revenue collection to the U.S. Government from passing this bill would be comparatively small.

We understand that the Subcommittee on Trade has a \$500,000 loss of revenue threshold, meaning that the chances for passage of a trade bill that generates a loss of revenue (customs duties) in excess \$500,000 will have a more difficult time of being enacted.

There are no statistics published by the U.S. International Trade Commission or the Census Bureau on the quantity or value of imports of yttrium oxide. This is because yttrium oxide is classified under HTS 2846.90.80, which covers "other" products covered by the preceding tariff

provisions. Thus, there are a variety of products that are included in the statistics for HTS 2846.90.80.

However, our research has indicated that there are reliable statistics published by the U.S. Geological Survey of the U.S. Department of the Interior. In the U.S. Geological Survey Minerals Yearbook 2000, there is included an article authored by Mr. James Hedrick entitled "Rare Earths." On p. 62.3, regarding yttrium consumption in the United States, Mr. Hedrick states the following:

In 2000, yttrium consumption was estimated to have increased to 454 [metric] t from 428 [metric] t in 1999.

Due to the world-wide recession in 2001, it is believed that the consumption in 2001 would have been about the same as in 2000. For 2002, the estimated consumption will probably be the same as in 2000 as well. In addition, it must be assumed that all of the yttrium utilized in the U.S. was imported, since there was no known U.S.-production of yttrium in these years.

Based upon its knowledge of the industry, Grand Northern estimates that the average appraised value of yttrium oxide (for import purposes and for assessing duties) ranges from \$15-20/kg. Using an average price of \$17.50 and a total import quantity of 454 metric tons, the total annual import value would amount to about \$7,945,000, with resulting duties of about \$239,965

(\$7,945,000 x 3.7%). Thus, the annual loss of revenue is well below the \$500,000 threshold.

6. If available information is not available on europium oxide importations, we request that the bill nevertheless be passed for yttrium oxide.

Grand Northern has presented information above regarding the U.S. domestic consumption of yttrium oxide. If information cannot be obtained with regard to europium oxide to determine the potential loss of revenue, we respectfully request that the bill be amended to provide for suspension of customs duties for yttrium oxide of 99.9% purity. We have demonstrated the importance of yttrium oxide to the defense and commercial airplane sectors, and thus we do not believe that the bill should be abandoned if reliable statistics cannot be obtained on europium oxide imports.

7. It is Grand Northern's position that the provisions of H.R. 4583 would be easy to administer by the Customs Service.

The provisions of H.R. 4138 are simple—they simply provide for a duty suspension of certain yttrium and europium oxide products. There is nothing complicated about it--it straightforward. Therefore, the bill would be easy to administer and does not impose any extra burdens on the Customs Service.

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8. Request For Retroactivity

In addition to the foregoing, we request that H.R. 4138 include a provision that the suspension of duties on yttrium and europium oxides be made retroactive back to merchandise entered on or after January 1, 2002.

If you require any additional information on this matter, please do not hesitate to contact me.

Respectfully submitted,

[Stephen S. Spraitzar](#)