

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

AIR/TSC/W/11

8 April 1981

Special Distribution

Agreement on Trade in Civil Aircraft

TECHNICAL SUB-COMMITTEE

Note by the Chairman

(Mr. Ph. Douglas - Canada)

The Technical Sub-Committee met on 24 March 1981. It addressed the two points under its terms of reference (AIR/3).

The representative of the United States gave an account of the "Airline-Manufacturers Customs Seminar" which took place on 4 March 1981, a summary of which is reproduced in the Annex.

Point 1

1.1 Statistical reporting of trade data

Six submissions were made on the form and content of the statistical information available in Signatories' respective countries for the products covered by the Agreement; three submissions were outstanding. 1980 import statistics were submitted by four signatories. Signatories were urged to notify their 1980 trade data by mid-May 1981. The secretariat was asked to examine the statistical reports with a view to ascertaining their degree of coverage and comparability.

1.2 Harmonized Systems Code

In view of the problems related to definitions, the matter was removed from the agenda.

1.3 Tariff classification matters

The representative of the EEC reverted to the TSUS classification of aircraft windows (see AIR/TSC/W/4) and specified that these were made of plexiglass. He also enquired as to the possibilities of refund of duties erroneously levied. The representative of the United States stated that the matter had not been resolved yet and added that, pending resolution, importers should protect their rights to refunds by filing formal protests with the customs authorities.

The matter of coverage by the Agreement of automatic door-closers was raised by the representative of Japan, whose objection to its exclusion from

the EEC draft Schedule was delaying the publication of the Fifth Certification of Changes to Schedules. The representatives of the EEC and of the United States stated that automatic door-closers were excluded from the Annex to the Agreement (for CCCN, it was omitted from ex 83.02; for TSUS, item 646.95 was not listed). The representatives of Canada and Sweden stated that they had included automatic door-closers in their implementation of the Agreement. The secretariat called for an early resolution of the matter in order to release publication of the Fifth Certification of Changes to Schedules.

With respect to "Units of automatic data-processing machines" (CCCN 84.53, TSUS 676.31 and Canadian Tariff 41417-1 and 44062-1) a recommendation for inclusion in the Annex had been made to the Committee (see AIR/W/8, paragraph 4), but had not been acted on because of the reservation of one Signatory.

1.4 End-use system

It was recalled that the Sub-Committee had agreed to consider initiating a comparative study of Signatories' end-use systems and their implementation. The Sub-Committee agreed that Signatories would submit, by July 1981, notifications on problems encountered with other Signatories' end-use systems. Notifications on their own end-use systems were not excluded. It was also agreed that it would be useful for the Sub-Committee to review the information and comments to be collected by industry and airlines in the context of follow-up action to the seminar (see Annex).

Point 2

2.1 Proposals for modification of product coverage

The representative of Canada added the following product to the List of Selected Products (AIR/TSC/2): Canadian Tariff item 44060-1 and 44053-1, "Aircraft counterweights, manufactured of depleted uranium metal".

The Sub-Committee noted that action by the Committee was still pending on its report (AIR/TSC/2).

Other

3. Date of next meeting

The Chairman would consult with interested parties to fix the exact date of the next meeting; the aim being to meet close to the Committee, which is to meet on 18 June 1981 (possibly in the week of 22 June 1981).

ANNEX

Account of the "Airline-Manufacturers-Customs Seminar"
held in Burbank, California on 4 March 1981

The representative of the United States explained that the United States aircraft industry had arranged an industry meeting to discuss the customs aspect of the Agreement on Trade in Civil Aircraft, which was attended by some sixty-five representatives from airlines and manufacturers, as well as four government representatives. The meeting heard an introduction to the background of the Agreement and its negotiation.

Basically reactions were being sought as to how the Agreement was working from a technical point of view. While in many people's view it was working better than expected, many specific problems were discussed. In terms of the entry process itself, the problems identified were the product descriptions on invoices, which often were not adequately descriptive for customs officials. The nomenclature used by airlines and air manufacturers was often very cryptic and not helpful to the customs officials in terms of customs classification.

One of the difficulties the United States was causing concerned the tooling or assist type problems. Under the Valuation Agreement data on assists had to be provided and collected (by Customs), even when the imported article was duty-free.

Airlines were in favour of drawing-up a concordance of all aircraft products between CCCN, TSUS and Canadian Tariff. But it was recognized that this would be a monumental task, requiring years of work, probably not worth the effort in view of the common system which would be introduced by the Harmonized Systems Code, hopefully in 1985.

One airline requested that each Customs Service provide a description of how they classify parts. A particular problem was servicing kits, containing many different parts. This was a problem in the United States, which had given rise to complaints, because of the separate classification of each article within the kit. The difficulty of classification was compounded in the case of kits because a separate valuation had to be provided for each article within the kit. This problem was discussed at some length.

There was also a proposal to design a practical end-use system with respect to product coverage. Airlines gave assessments of their own experience in terms of percentage of their products accorded duty-free treatment. Some companies indicated 95-99 per cent duty-free coverage, others, including a French company, estimated 60 per cent duty-free, the remainder being duty-exempt. The representative of Japan Airlines indicated a coverage of some 40 per cent only. There was some discussion of the disparity in treatment between the EEC and Japan using the same CCCN system. There was also some problem with documentation requirements in Japan, according to officials from Japan Airlines.

The group is to have a follow-up meeting in mid-May. Meantime the following recommendations were made:

1. All customs duties should be eliminated on importations of products intended to be used in a civil aircraft, or in a civil aircraft simulator. This elimination should be limited to finished products, ready for use, or offering the same characteristics as parts, parts of parts, or components. The parts numbers appearing in the technical manuals provide evidence of their application required by the customs officials.
2. A list of all aeronautical equipment should be established rapidly showing their classification in the various tariff schedules; in the end it was decided it would be impractical to undertake this task for the time being.
3. It was found unacceptable that some essential parts are not included in the Agreement. Several products were listed which the Technical Sub-Committee has talked about in the past; the kit problem was mentioned; no reasons could be seen why the United States manufacturers and officials should oppose the efforts to extend the list attached to the Agreement.

Four action items were agreed to:

1. Each airline and each manufacturer were to identify major items of aeronautical equipment with which customs problems have been or are being experienced. They were asked to describe the item, show what it is called by the shipper and where possible give the TSUS, CCCN or Canadian Tariff Schedule number. A sub-group of members who were at this symposium was formed; it is an international group, GIFAS and the Aerospace Industries Association of the United States were the two co-ordinators of this and are to receive inputs by 30 March 1981.
2. Each airline and manufacturer was to forward a listing of all aircraft parts, not currently covered by the Annex to the Agreement, and identify where possible the TSUS, CCCN and Canadian Tariff number; the item description in sufficient detail so that a non-specialist can know what it is (very useful for customs officers), estimated annual import value by country, and identification of whether the items currently receive duty-exempt treatment, particularly in respect to the European Communities and Japan. Again a group was formed to receive these inputs by 30 March 1981.
3. An ad hoc committee has been formed comprising two US representatives, one from the UK and one from Germany, to draft a proposed import procedure suitable for manufacturers and airlines, which takes into account the need for statistical reports to governments, the need for an adequate order trail for customs, intended use of the part, and potential for diversion to non-aircraft use.
4. The final action item was that they look to another group that is at work to see whether they should make a proposal with respect to shipping documentation. There is apparently a group called ATA that has a traffic committee and the action item was to go to that group to see whether they would satisfy this problem, or whether they should form another ad hoc group.