

REPORT NO. 553

**REDUCTION IN THE RATE OF CUSTOMS DUTY ON RACK AND
PINION STEERING ASSEMBLIES (EXCLUDING POWER-ASSISTED
TYPES AND THOSE OF SUBHEADING 8708.94.10)**

The International Trade Administration Commission of South Africa herewith presents its report No. 553: **REDUCTION IN THE RATE OF CUSTOMS DUTY ON RACK AND PINION STEERING ASSEMBLIES (EXCLUDING POWER-ASSISTED TYPES AND THOSE OF SUBHEADING 8708.94.10)**, with recommendations.



SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

22/05/2017

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 553

APPLICATION FOR A REDUCTION IN THE RATE OF CUSTOMS DUTY ON RACK AND PINION STEERING ASSEMBLIES (EXCLUDING POWER-ASSISTED TYPES AND THOSE OF SUBHEADING 8708.94.10)

Synopsis

ITAC received an application from Masterparts (Pty) Ltd for a reduction in the rate of customs duty on rack and pinion steering assemblies (excluding power-assisted types and those of subheading 8708.94.10) classifiable under tariff subheading 8708.94.20 from 20% *ad valorem* to free of duty.

The Commission considered the application in light of the information at its disposal. The Commission found that there are no local manufacturers of rack and pinion steering assemblies in the SACU region and that the current duty only has an unnecessary cost raising effect.

The Commission recommended a reduction in the rate of customs duty on rack and pinion steering assemblies (excluding power-assisted types and those of subheading 8708.94.10) classifiable under tariff subheading 8708.94.20 from 20% *ad valorem* to free of duty.

THE APPLICATION AND TARIFF POSITION

1. ITAC received an application from Masterparts (Pty) Ltd for a reduction in the rate of customs duty on rack and pinion steering assemblies (excluding power-assisted types and those of subheading 8708.94.10) classifiable under tariff subheading 8708.94.20 from 20% *ad valorem* to free of duty.

2. The applicant is a Cape Town based company that specialises in importing automotive engine components, suspension parts, exhausts and transmission components amongst other products.
3. As reason for the application, the applicant cited that there are no local manufacturers of the subject products in the SACU region and that the current duty only has an unnecessary cost raising effect.
4. The application was published in the Government Gazette of 17 February 2017 for comment by interested parties, as follows:

“Rack and pinion steering assemblies (excluding power-assisted types and those of subheading 8708.94.10) classifiable under tariff subheading 8708.94.20 from 20% ad valorem to free of duty”

5. The existing tariff structure for the subject products is shown in Table 1 below:

Table 1: Current tariff structure for the subject product

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
8708.94		Steering wheels, steering columns and steering boxes; parts thereof:						
	8708.94.20	Rack and pinion steering assemblies (excluding power-assisted types and those of subheading 8708.94.10)	Kg	20%	15%	20%	free	20%

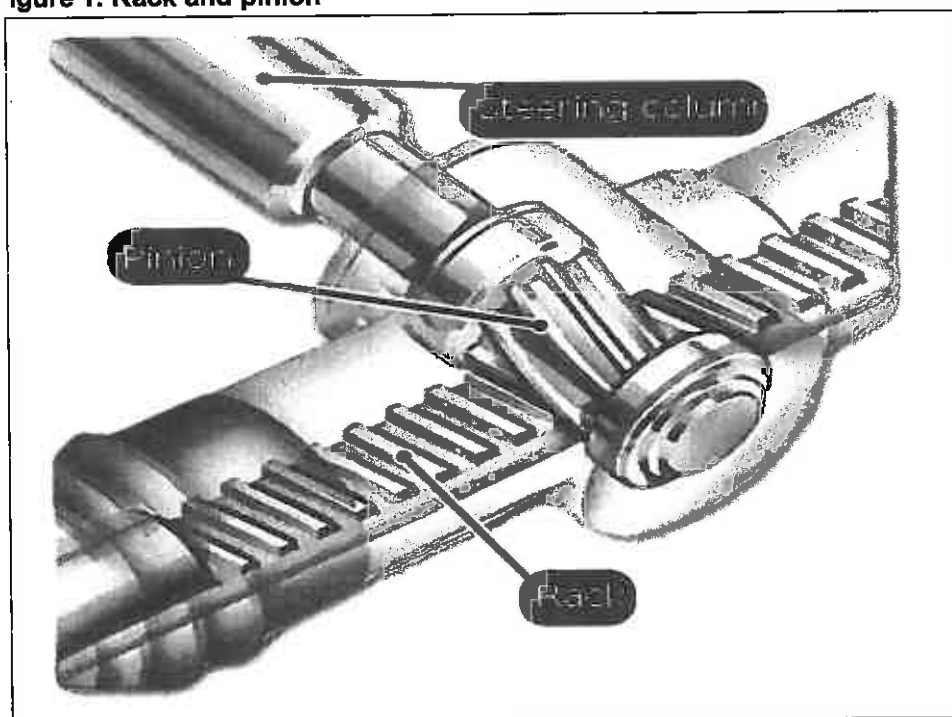
Source: SARS, 2017

INDUSTRY AND MARKET

6. The subject product is commonly found in the steering mechanism of modern cars or other wheeled, steered vehicles. Rack and pinion provides a less efficient mechanical advantage than other mechanisms such as recirculating ball steering but less backlash and greater feedback, or steering "feel". The mechanism may be power-assisted, usually by hydraulic or electrical means.

7. Many modern cars use rack and pinion steering mechanisms, where the steering wheel turns the pinion gear; the pinion moves the rack, which is a linear gear that meshes with the pinion, converting circular motion into linear motion along the transverse axis of the car (side to side motion). The subject product is depicted in figure 1 below.

Figure 1: Rack and pinion



Source: *The applicant, 2016*

8. There are no manufacturers of the subject product in the SACU region.
9. Some of the major importers of the subject product in the SACU market are Grandmark (Pty) Ltd; Quality Engine Components (Pty) Ltd; and the applicant.
10. The majority of the products imported under tariff subheading 8708.94.20 were imported from the People's Republic of China, Germany and India.

COMMENTS RECEIVED

11. Comments supporting the application were received from the Botswana Ministry of Investment, Trade and Industry, and the National Association of Automotive Components and Allied Manufacturers (NAACAM).

FINDINGS

12. The Commission considered the application in light of the information at its disposal. The Commission found that there are no local manufacturers of rack and pinion steering assemblies in the SACU region and that the current duty has an unnecessary cost raising effect.

RECOMMENDATION

13. In light of the foregoing, the Commission recommends a reduction in the rate of customs duty on rack and pinion steering assemblies (excluding power-assisted types and those of subheading 8708.94.10) classifiable under tariff subheading 8708.94.20 from 20% *ad valorem* to free of duty.