

REPORT NO.448

REDUCTION IN THE RATE OF DUTY ON POLYVINYL BUTYRAL (PVB)

The International Trade Administration Commission of South Africa herewith presents its Report No. 448: **REDUCTION IN THE RATE OF DUTY ON POLYVINYL BUTYRAL (PVB)**, with recommendations.



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Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

29/10/2013

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO.448

REDUCTION IN THE RATE OF DUTY ON POLYVINYL BUTYRAL (PVB)

Synopsis

The Commission considered an application by National Auto Glass (Pty) Ltd for a reduction in the rate of custom duty on polyvinyl butyral (PVB) classifiable under tariff subheading 3920.91, from 10% *ad valorem* to free of duty.

The Commission found that there are no local manufacturers of PVB within the SACU region and that the existing tariff structure places an unnecessary administrative cost burden on the industry manufacturing safety glass. The Commission therefore recommends that the rate of customs duty on polyvinyl butyral, classifiable under tariff subheading 3920.91, be reduced from 10% *ad valorem* to free of duty.

THE APPLICATION AND THE TARIFF POSITION

1. National Auto Glass (Pty) Ltd, a domestic manufacturer of laminated safety glass, applied for a reduction in the rate of customs duty on polyvinyl butyral (PVB) classifiable under tariff subheading 3920.91, from 10% *ad valorem* to free of duty.
2. As reason for the application the applicant stated the following:
 - a) There are no local manufacturers of PVB in the SACU region. In addition, due to the complex, technical nature of PVB and the need for large

volumes to achieve economies of scale, it is unlikely that it would be economically viable to manufacture the product in SACU.

b) There is an existing rebate facility (**rebate item 313.07**) currently used by all SACU manufacturers of laminated safety glass. However, having to hold the product in a properly constituted rebate store requires onerous administration costs.

c) The reduction of customs duty to free of duty, would not constitute a loss of revenue to the state but would offer relief from the unnecessary non-value adding costs. As such, this would improve the competitiveness of the domestic industry manufacturing safety glass against cheap Chinese imports.

3. The application was published in the Government Gazette on 23 August 2013 for comments by interested parties as follows:

REDUCTION OF DUTY ON:

“Polyvinyl butyral, classifiable under tariff subheading 3920.91, from 10% *ad valorem* to free of duty”

4. The existing tariff structure for PVB is as follows:

Table 1: The tariff structure for polyvinyl butyral (PVB)

| Tariff heading | Tariff subheading | Description | Unit | Rate of duty | | | |
|----------------|-------------------|--|------|--------------|------|------|------|
| | | | | General | EU | EFTA | SADC |
| 39.20 | | Other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials: | | | | | |
| | 3920.91 | Of poly(vinyl butyral) | Kg | 10% | Free | 2.5% | Free |

5. In terms of rebate item 313.07/39.20/02.04, PVB can be imported at free of duty. The rebate provision reads as follows:
- *“Plastic in sheets or rolls, for the manufacture of laminated safety glass”*

INDUSTRY AND MARKET

6. The subject product is used in the manufacture of laminated automotive safety glass. During the manufacturing process, two pieces of clear and tinted float glass are cut to size and shape of the safety glass being manufactured and then edge-worked in order to provide a smooth finish. The two pieces of glass are then bent to shape in a specially designed furnace after which PVB is placed between the two pieces of bent-to-shape glass. This sandwich is then placed in a pre-heat oven under vacuum and then in an autoclave under controlled temperature and pressure conditions to bond the glass and the PVB.
7. Prominent importers of PVB in SACU include FGW Safety Glass (Pty) Ltd; Shatterprufe (Pty) Ltd; USG Autoglass cc; Northern Hardware and Glass Manufacturing (Pty) Ltd; PGF Building Glass (Pty) Ltd and McCoy's Glass Wholesalers cc.
8. The total import value of the subject product remained relatively constant over the past three years at approximately R 190 million per annum.

COMMENTS RECEIVED

Comments supporting the application were received from the local manufacturers of laminated safety glass as listed in paragraph 7 above.

FINDINGS AND RECOMMENDATION

9. The Commission found that there are no local manufacturers of PVB within the SACU region and that the existing tariff structure places an unnecessary administrative cost burden on the industry manufacturing safety glass. The Commission therefore recommends that the rate of customs duty on polyvinyl

butyral, classifiable under tariff subheading 3920.91, be reduced from 10% *ad valorem* to free of duty.