

# **REPORT NO. 426**

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY  
ON POLYTETRAFLUOROETHYLENE (PTFE) TAPE**

The International Trade Administration Commission of South Africa herewith presents  
Report No. 426: **INCREASE IN THE RATE OF CUSTOMS DUTY ON  
POLYTETRAFLUOROETHYLENE (PTFE) TAPE**, with recommendations



.....  
**SIYABULELA TSENGIWE**  
**CHIEF COMMISSIONER**

PRETORIA

...02...104/2013

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 426

INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON  
POLYTETRAFLUOROETHYLENE (PTFE) TAPE

**Synopsis**

RIC Manufacturing CC applied for an increase in the general rate of customs duty on polytetrafluoroethylene (PTFE) tape classifiable under tariff subheading 3920.99.25, from 10% *ad valorem* to the WTO bound rate of 20% *ad valorem*.

The Commission found that considerable price disadvantages are experienced by the domestic industry in the face of fierce foreign competition.

Additional tariff support for the industry would improve its price-competitive position and enable it to better utilise its installed production capacity and achieve increased economies of scale. Following the tariff support, the Commission will conduct a review of the duty structure three (3) years from the date of implementation.

The Commission recommends that the general rate of customs duty on PTFE tape, classifiable under tariff subheading 3920.99.25, be increased from 10% *ad valorem* to the WTO Bound rate of 20% *ad valorem*.

## THE APPLICATION AND THE TARIFF POSITION

1. RIC Manufacturing CC applied for an increase in the general rate of customs duty on polytetrafluoroethylene (PTFE) tape classifiable under tariff subheading 3920.99.25, from 10% *ad valorem* to the WTO bound rate of 20% *ad valorem*.
2. PTFE tape is used as a thread-sealing tape to ensure that pipe connections are sealed with the purpose of preventing leakages. The tape is commonly used commercially in pressurized water systems, such as central heating systems, as well as in air compression equipment and thread-joints with coarse threads.
3. As reasons for the application, the applicant stated the following:
  - RIC Manufacturing is the only manufacturer of PTFE tape in the SACU region. It is a small company, yet employs a significant number of people.
  - RIC is seriously faced with the possibility of closure and is under severe strain from low-cost producers in China. A further challenge is that the price of the primary raw material, PTFE powder, which is imported, has been escalating while there has been downward pressure on the price of the end product.
  - RIC Manufacturing is producing at a loss and far below its production capacity. Although its products are of a high quality, the purchasing decisions of most clients are purely price-driven.
  - The WTO-bound rate of customs duty is required to curb the flood of cheap imports into the SACU market, to ensure that the SACU retains this industry and to afford RIC the opportunity to grow its business.
4. The application was published in the Government Gazette on 21 December 2012, for a period of five (5) weeks, for comments by interested parties as follows:

### **Increase in the general rate of customs duty on:**

Polytetrafluoroethylene (PTFE) tape classifiable under tariff subheading 3920.99.25, from 10% to 20% *ad valorem*.

5. PTFE tape is classifiable under tariff subheading 3920.99.25 as follows:

**Table 1: PTFE tape tariff structure**

Heading/ Sub-heading	Article Description	Statistical 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:					
3920.99	Of other plastics:					
3920.99.25	Strip of polytetrafluoroethylene, suitable for use as thread-sealing tape	kg	10%	free	3.8%	free

## INDUSTRY AND MARKET

- PTFE tape is widely used in various industries globally, and is available in various ranges such as insulating PTFE tape for areas subject to extreme temperatures, silicon or acrylic low-friction PTFE tape, and fiberglass PTFE tape for high-friction purposes. Colour-coding, in many instances, is used to differentiate between the various grade types used for different purposes such as for plumbing and gas-pipe sealing.
- RIC Manufacturing CC is the only manufacturer of PTFE tape in SACU. The tape is produced from virgin PTFE powder which is the major constituent of the raw materials utilized in the production process.
- The identified firms that import the subject product include motor vehicle manufacturers and retailers. The official SARS trade statistics are shown hereunder:

**Table 2: PTFE tape trade data**

TRADE DATA	Volume (kg)	Value (R)
<b>Imports</b>		
2009	21 160	1 451 836
2010	40 736	1 511 319
2011	309 834	2 127 895
2012	455 387	4 426 062
<b>Exports</b>		
2009	23 665	836 112
2010	29 854	1 284 450
2011	17 360	1 311 949
2012	10 584	814 942

- The applicant's indexed production and sales figures are shown below:

**Table 3: PTFE Production and sales**

<b>PRODUCTION AND SALES</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Production volume (kg)</b>	100	100	87	61
<b>Production capacity (kg)</b>	100	106	113	119
<b>Capacity utilization</b>	100	94	76	51

10. The above information shows that the applicant's SACU market share has fallen precipitously. The applicant indicated that it exports up to 10% of its production to New Zealand and indicated that it is this export opportunity that keeps its business afloat.

### **COMPETITIVE POSITION**

11. According to information at the Commission's disposal, the domestic industry manufacturing PTFE tape is experiencing significant price disadvantages vis-à-vis low-priced competition from East Asian manufacturers.

### **COMMENTS ON APPLICATION**

12. Plastics SA indicated that it fully supports the application, given the challenge of cheap imports.

13. A number of importers objected to the increase of customs duty on the subject product citing that the relevant industry has been in the market for many years and that it should be able to compete internationally.

### **FINDINGS**

14. The Commission found that considerable price disadvantages are experienced by the domestic industry in the face of fierce foreign competition.

15. Additional tariff support for the industry would improve its price-competitive position and enable it to better utilise its installed production capacity and achieve increased economies of scale. Following the tariff support, the Commission will conduct a review of the duty structure three (3) years from the date of implementation.

## RECOMMENDATION

16. The Commission recommends that the general rate of customs duty on PTFE tape, classifiable under tariff subheading 3920.99.25, be increased from 10% *ad valorem* to the WTO Bound rate of 20% *ad valorem*.