

REPORT NO: 338

APPLICATION FOR REBATE OF DUTY ON WOVEN FABRICS CONTAINING 85 PER CENT OR MORE BY MASS OF POLYESTER FILAMENTS USED FOR THE MANUFACTURE OF FAUX LEATHER (LOOK-ALIKE LEATHER) LOUNGE SUITES

The International Trade Administration Commission of South Africa herewith presents its **Report No. 338: Application for rebate of duty on woven fabrics containing 85 per cent or more by mass of polyester filaments used for the manufacture of faux leather (look-alike leather) lounge suites**



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF
SOUTH AFRICA

REPORT NO. 338

APPLICATION FOR REBATE OF DUTY ON WOVEN FABRICS CONTAINING 85 PER CENT OR MORE BY MASS OF POLYESTER FILAMENTS USED FOR THE MANUFACTURE OF FAUX LEATHER (LOOK-ALIKE LEATHER) LOUNGE SUITES

SYNOPSIS

Alpine Lounge (Pty) Ltd. applied for rebate of duty on woven fabrics containing 85 per cent or more by mass of polyester filaments that is used for the manufacture of faux leather (look-alike leather) lounge suites. The reason for the application, as submitted by the applicant, is that the fabric is not manufactured in the SACU and that the current rate of duty is a disadvantage, especially in the face of competition experienced from foreign manufacturers of similar faux leather (look-alike leather) lounge suites.

The application was published in the Government Gazette on 29 January 2010, for interested parties to comment.

Gelvenor Textiles (Pty) Ltd has objected to the rebate of duty on faux leather fabric as the firm manufactures the woven fabric that could be used for the manufacturing of faux leather fabric.

The Commission found that, although faux leather is not manufactured in the SACU, the fabric used in the manufacture of faux leather is manufactured in the SACU and that the duty serves as encouragement to develop the downstream faux leather industry.

In view of the above, the Commission decided that the application for a rebate of duty on woven fabrics containing 85 per cent or more by mass of polyester filaments used for the manufacture of faux leather (look-alike leather) lounge suites, be rejected.

THE APPLICATION AND THE TARIFF POSITION

Alpine Lounge (Pty) Ltd, applied for rebate of duty on woven fabrics containing 85 per cent or more by mass of polyester filaments used for the manufacture of faux leather (look-alike leather) lounge suites.

The reason for the application, as submitted by the applicant, is that the fabric is not manufactured in the SACU and that the current rate of duty is a disadvantage, especially in the face of competition experienced from foreign manufacturers of similar faux leather (look-alike leather) lounge suites.

The application was published in the Government Gazette on the 29 January 2010, for interested parties to comment.

The tariff position for woven fabrics is shown in the table below:

Table 1: Tariff position for woven fabric

Tariff heading	Tariff sub-heading	Description	Rate of duty			
			General	EU	EFTA	SADC
54.07		Woven fabrics of synthetic filament yarn, including woven fabrics obtained from material of heading 54.04:				
	5407.6	Other woven fabrics, containing 85 per cent or more by mass of polyester filaments:				
	5407.61	Containing 85 per cent or more by mass of non-textured polyester filaments	22%	10%	10%	free

INDUSTRY AND MARKET

Alpine Lounge is the only manufacturer of faux leather lounge suites in the SACU. The applicant also manufactures genuine leather lounge suites although its main focus is on faux leather lounge suites.

COMMENTS ON THE APPLICATION

The Textile Federation of South Africa indicated that BMD Textiles (Pty) Ltd previously manufactured the product, but has discontinued production in May 2009.

Gelvenor Textiles (Pty) Ltd objected to the rebate of duty on faux leather fabric as the firm manufactures the woven fabric that could be used for the manufacturing of faux leather fabric.

According to Gelvenor Textiles, a rebate provision would hamper the further development of their product lines as they manufacture fabric for the print-based market, technical fabrics, as well as apparel fabrics and that the tariff support is needed as encouragement for venturing into new value added markets.

FINDINGS

The Commission found that although faux leather is not manufactured in the SACU, the fabric used in the manufacture of faux leather is manufactured in the SACU and that the duty serves as encouragement to develop the downstream faux leather industry.

The Commission also found that the industry manufacturing furniture, including lounge suites, is adequately protected at 20% ad valorem to meet the challenges of foreign competition and that the duty on fabric at less than 2% of the ex-factory price of faux leather lounge suites is not an onerous burden on the industry.

RECOMMENDATION

In view of the above, the Commission decided that the application for a rebate of duty on woven fabrics containing 85 per cent or more by mass of polyester filaments used for the manufacture of faux leather (look-alike leather) lounge suites, be rejected.

(14/2009)