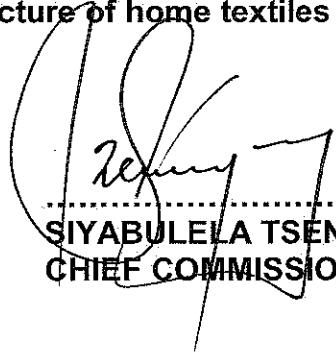


REPORT NO: 317

**REBATE OF DUTY ON CERTAIN
FABRICS FOR THE MANUFACTURE
OF HOME TEXTILES**

The International Trade Administration Commission of South Africa
herewith presents its **Report No. 317: Rebate of duty on certain
fabrics for the manufacture of home textiles**



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

10 / 11 /2009

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO.317

Rebate of duty on certain fabrics for the manufacture of home textiles

Synopsis

Sheraton Textiles, Cotton Traders cc, Maytex Industries and Classique Quiltors, hereon referred to as the applicants, applied for the creation of rebate provisions for:

- Woven fabrics of cotton;
- Woven fabrics of synthetic filament yarn;
- Synthetic staple fibres;
- Woven fabrics of synthetic staple fibres;
- Textiles fabrics; and
- Looped pile fabrics.

These fabrics are used for the manufacture of bed linen, table linen, toilet linen, kitchen linen, curtains, interior blinds, mattress support and articles of bedding.

As reasons for the application, the applicants stated that:

- The products in question are not manufactured in the SACU;
- The 22% import duty imposed on the raw materials for the manufacture of household textiles puts the industry manufacturing home textiles at an immediate competitive disadvantage in the market place compared to the imported finished product; and
- The duty on fully finished products affords inadequate protection against low cost imported items.

In reaching its findings, and making its recommendations, the Commission took into consideration all the comments received and the oral presentations made by interested parties. The Commission especially considered the financial implications that the rebate provisions would have for Da Gama, the textile manufacturer, on the one hand, and the home textiles finished product producers, on the other hand.

The Commission found that, in tandem with the range of support measures provided for the textiles sector, the recommended industrial rebate provisions recommended in this Report would enable the home textile sector to protect existing jobs, recapture the domestic market, increase its price competitiveness by reducing their unit cost of manufacture, and in the process also stimulate production down the value chain.

The application and the tariff position

Sheraton Textiles, Cotton Traders cc, Maytex Industries and Classique Quiltors, hereon referred to as the applicants, applied for the creation of rebate provisions for:

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- Woven fabrics of synthetic filament yarn;
- Synthetic staple fibres;
- Woven fabrics of synthetic staple fibres;
- Textiles fabrics; and
- Looped pile fabrics.

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As reasons for the application, the applicants stated that:

- the products in question are not manufactured in the SACU;
- the 22% import duty imposed on the raw materials for the manufacture of household textiles puts the industry manufacturing home textiles at an immediate competitive disadvantage in the market place compared to the imported finished product; and
- The duty on fully finished products affords inadequate protection against low cost imported items.

Except for 'Textile Fabrics and synthetic staple fibres', the customs duty applicable to all the remaining woven fabrics is 22% **ad valorem** (General); 10% **ad valorem** (EU); 13% **ad valorem** (EFTA) and free of duty (SADC).

On textile fabrics, the customs duty is 15% **ad valorem** (General); 9% **ad valorem** (EU); 13% **ad valorem** (EFTA) and free of duty (SADC). On synthetic staple fibres, the customs duty is 7,5% **ad valorem** (General); 3,75% **ad valorem** (EU); 6,6% **ad valorem** (EFTA) and free of duty (SADC).

On average, the customs duty applicable to the end products, namely, Bed Linen, Table Linen, Toilet Linen, Curtains and other furnishing articles is 30% **ad valorem** (General); 18% **ad valorem** (EU); 18% **ad valorem** (EFTA) and free of duty (SADC). The customs duty on mattress supports is 20% **ad valorem** (General); 6% **ad valorem** (EU); 15% **ad valorem** (EFTA) and free of duty (SADC);

The Industry and the market

The SACU market has four major home textile manufacturers, namely:

- Maytex Industries;
- Sheraton Textiles Group;
- Classique Quiltors; and
- Romatex Home Textiles/Frame Manchester.

There are numerous other small and medium sized home textile producers. The applicants have a 45% market share of the finished product, whilst Frame Manchester alone has an approximate 15% market share in the SACU. The remaining market share is split between imports of the finished product and small and medium-sized home textile producers.

Fabrics imported by the applicants and other home textile manufacturers are used for the manufacture of bed linen, table linen, toilet linen, kitchen linen, curtains, interior blinds, mattress support and articles of bedding.

While also making appreciable capital investments, the home textile industry is labour intensive, and is an employer particularly of women, especially in poor communities, where few other employment opportunities exist.

The applicants' market is concentrated in SACU, with customers mainly being:

- Mr Price Group;
- Sheet Street Group;
- Ackermans;
- The Hub;
- Edcon Group;
- Game;
- Makro;
- Hyperama;
- @Home; and
- Hospitality Industry.

The upstream textile manufacturing comprises the following companies:

- Hosaf Fibres;
- Da Gama Textiles;
- SBH Cotton Mills;
- Gelvenor Textiles;
- Suntex;
- Svenmill;
- Industex;
- Rotex Fabric; and
- JMV Textiles.

Da Gama manufactures textile material that is suitable for the manufacture of home textiles finished goods in SACU. However, it has a very small production capacity compared to the requirements of the home textile manufacturers.

Comments on the application

Da Gama Textiles informed the Commission that some of the fabrics in question are manufactured in the SACU, and therefore objected to the creation of the rebate provisions as this would adversely affect its home textiles business, albeit small compared to its total business turnover.

According to the manufacturers and the Home Textiles Association, who voiced their support for the application, substantial job losses have been triggered by a flood of imports that have entered the country, coupled with the ability of retailers to procure home textile articles cheaply. The requested rebate provisions would enable the applicants to significantly increase their market share.

Commission's Findings

According to price information at the Commission's disposal, domestic home textile manufacturers are experiencing significant price disadvantages against competitors from abroad on a wide range of home textile finished products when the landed cost of imported products are compared to the ex-factory selling price of similar domestically produced articles. The duty on fabrics when expressed as a percentage of the ex-factory selling price is an onerous burden on the home textiles industry, especially as the upstream textiles manufacturer is not in a position to meet the requirements of the home textile producers.

In reaching its findings, the Commission took into consideration all the comments received and the oral presentations made by interested parties. The Commission especially considered the implications that the rebate provisions would have for Da Gama, the textile manufacturers, on the one hand, and the home textiles finished product producers, on the other hand.

The Commission found that, in tandem with the range of support measures provided for the textiles sector, the recommended industrial rebate provisions recommended in this Report would enable the home textile sector to protect existing jobs, recapture the domestic market, increase its price competitiveness by reducing their unit cost of manufacture, and in the process also stimulate production upstream down the value chain.

The rebate provisions will be made subject to a permit issued by ITAC with strict guidelines to prevent abuse of the rebate provisions to ensure that the interests of all stakeholders are taken into account.

Recommendations

The Commission recommended that the following rebate of the full duty provisions be created:

311.42 INDUSTRY: TEXTILE BED, TABLE, TOILET AND KITCHEN LINEN; CURTAINS, INTERIOR BLINDS, CURTAIN OR BED VALANCES, OTHER FURNISHING ARTICLES AND ARTICLES OF BEDDING AND SIMILAR FURNISHING FITTED WITH SPRINGS OR STUFFED OR INTERNALLY FITTED WITH ANY MATERIAL OR OF CELLULAR RUBBER OR PLASTICS, WHETHER OR NOT COVERED

52.08 Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass exceeding 100g/m^2 but not exceeding 200g/m^2 in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of goods classifiable under tariff headings, 63.02, 63.03, 63.04, 63.07 and 94.04;

5208.23 Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass exceeding 100g/m^2 but not exceeding 200g/m^2 , bleached, with 3-thread or 4-thread twill, including cross twill and with a thread count of 78cm^2 or more, in rolls with a width of 160 cm or more, for the manufacture of goods classifiable under tariff subheading 63.07 and the manufacture of articles of bedding classifiable under tariff subheading 9404.30, 9404.90;

52.09 Woven fabrics of cotton, containing 85 per cent or more by mass of cotton of a mass exceeding 200g/m^2 , in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable under tariff headings 63.02, 63.03, 63.04, and 94.04;

52.10 Woven fabrics of cotton, containing less than 85 per cent of cotton, mixed mainly or solely with man-made fibres, of a mass not exceeding 200g/m^2 , in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable under tariff headings 63.02, 63.03, 63.04 and 94.04;

54.07 Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 54.05, in rolls of a width of 160 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of goods classifiable under tariff headings 63.02, 63.03, 63.04 and 94.04;

55.13 Woven fabrics of synthetic staple fibres, containing less than 85 per cent by mass of such fibres, mixed mainly or solely with cotton, of a mass not exceeding 170 g/m^2 , in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable under tariff subheading 63.02, 63.03, 63.04 and 94.04;

55.14 Woven fabrics of synthetic staple fibres, containing less than 85 per cent by mass of such fibres, mixed mainly or solely with cotton, of a mass not exceeding 170 g/m^2 , dyed or printed, in rolls of a width of 200cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable under tariff subheading 63.02, 63.03, 63.04 and 94.04;

5903.20 Textile fabrics impregnated, coated, covered or laminated with polyurethane, in rolls of a width of 200cm or more, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of mattress covers classifiable under tariff heading 63.02; and

6001.21 Looped pile fabrics, knitted or crocheted, of cotton, in rolls of a width of 200cm or more, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of mattress covers classifiable under tariff heading 63.02.