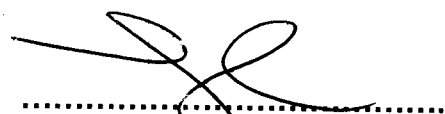


Report No. 137

Reduction in the rate of customs duty on n-butyl acetate

The International Trade Administration Commission herewith presents its
Report No. 137: REDUCTION IN THE RATE OF CUSTOMS DUTY ON N-BUTYL ACETATE



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PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

REPORT NO. 137

REDUCTION IN THE RATE OF CUSTOMS DUTY ON N-BUTYL ACETATE

Synopsis

The Commission considered an application for a reduction in the rate of customs duty on n-butyl acetate. A decision to publish was taken based on evidence that National Chemical Products and subsequently Sasol Solvents no longer manufacture the product concerned. No comments were received during the publication period.

The applicant uses n-butyl acetate together with other inputs in the manufacture of automotive paints, which are used for motor vehicle coating purposes and supplied to vehicle manufacturers such as Daimler Chrysler SA, Volkswagen SA and General Motors SA.

The Commission found that since there is no local manufacturing of the product concerned and that the existing duty only serves to inflate costs that affect down-stream manufacturers in the automotive industry, there was no justification for the duty.

The Commission recommends that the rate of customs duty on n-butyl acetate classifiable under tariff subheading 2915.33 be reduced from 15 per cent ad valorem in the general column and 13.2 per cent ad valorem in the EU column, to free of duty.

Introduction

Plascon Automotive (Pty) Ltd (the applicant) applied for a reduction in the rate of customs duty on n-butyl acetate classifiable under tariff subheading 2915.33 from 15 per cent ad valorem in the general column and 13.2 per cent ad valorem in the EU column to free of duty. The application was published in Government Gazette No. 27735 of 08 July 2005.

The applicant uses n-butyl acetate together with other inputs in the manufacture of automotive paints, which are used for motor vehicle coating purposes and supplied to vehicle manufacturers such as Daimler Chrysler SA, Volkswagen SA and General Motors SA. The applicant uses a specific grade of n-butyl acetate where the water content may not exceed 0.3%. According to Plascon n-butyl acetate is used in 85% of its final products and this raw material is specific and common across a range of automotive coatings. It is the essential solvent carrier and aids in the flow properties of the finished products.

The reasons submitted for the application by the applicant were:

- 1) The product in question is no longer manufactured in the SACU as National Chemical Products, the sole manufacturer of n-butyl acetate in the SACU, was sold to Sasol Solvents in 1997, which in turn stopped manufacturing the product in question.

- 2) The raw material costs are forcibly inflated due to the existing rate of duty.

No objections were received during the publication period in the Government Gazette. Industry research conducted into the usage and manufacture of n-butyl acetate in the SACU, revealed that the product concerned is not manufactured in the SACU but is imported and utilised by companies such as Sasol, Plascon, AECI and Aktol.

A reduction in the rate of customs duty on n-butyl acetate will contribute to a reduction in the production costs in the manufacture of automotive paints, the benefit of which will filter down to the automotive industry.

Based on the above, the Commission found that a reduction in the customs duty on n-butyl acetate is justified, as it will contribute towards reducing the production costs in the manufacture of automotive paints and therefore benefit the automotive industry.

Recommendation

The Commission recommends that the rate of customs duty on n-butyl acetate classifiable under tariff subheading 2915.33 be reduced from 15 per cent ad valorem in the general column and 13.2 per cent ad valorem in the EU column, to free of duty.

[21/2005]