

## **Report No. 111**

# **Application for an increase in the rate of duty on stainless steel flanges and butt-welding fittings**

The International Trade Administration Commission herewith presents  
Report No. 111: APPLICATION FOR AN INCREASE IN THE RATE OF  
DUTY ON STAINLESS STEEL FLANGES AND BUTT-WELDING FITTINGS

  
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CHIEF COMMISSIONER

PRETORIA  
..12 May....2005

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

REPORT No: 111

APPLICATION FOR INCREASE IN THE DUTY ON STAINLESS STEEL  
FLANGES AND BUTT-WELDING FITTINGS

**Synopsis**

The Commission received an application for an increase in the general rate of duty on stainless steel flanges from free of duty to 10% ad valorem and butt-welding fittings from free of duty to 15% ad valorem. The Commission found that as the sole manufacturer of these products in the Southern Africa Customs Union (SACU), and with a relatively good market share and economic performance, an increase in the rate of duty, with the concomitant cost-raising effects for downstream users could not be justified.

**1. Introduction**

Steelmor Industries (Pty) Ltd applied for an increase in the rate of duty on stainless steel flanges from free of duty of 10% ad valorem and butt-welding fittings from free of duty to 15% ad valorem. The stainless steel flanges and butt-welding fittings are mainly used in the mining, petro-chemical, fertilizer, pulp and paper industries to fasten pipes.

As reason for the application, the applicant stated that the firm experiences problems in the SACU market as there exists no duty to promote sustainable economic development as low-priced imports impact on the development of the industry concerned in SACU and on its international competitiveness. The applicant contended that this mounting competition is slowing down their growth rate. According to the applicant, if successful, the duties would assist it to be more competitive and maintain its market share against imported competition.

Steelmor is the only manufacturer of these products in SACU and started as a small trading company in 1976 supplying stainless steel pipes, fittings and flanges mainly to the mining industry. The company has since grown and now produces butt-welding fittings and flanges mainly for the petro-chemical, mining, fertilizer, pulp and paper, and energy industries.

## 2. The tariff position

The existing duty structure of stainless steel flanges (7307.21.90) and stainless steel butt-welding fittings (7307.23.90) is as follows:

### Stainless steel flanges

Heading	Sub-Heading	Article Description	Rates of Duty		
			General	EU	SADC
73.07		Tube or pipe fittings, (for example, couplings, elbows, sleeves of iron or steel).			
	7307.2	Other, of stainless steel			
	7307.21	Flanges			
	7307.21.10	For use with down pipes and gutter pipes	10%	3,3%	free
	<b>7307.21.90</b>	<b>Other</b>	<b>free</b>	<b>free</b>	<b>free</b>

### Stainless Steel Butt-Welding Fittings

Heading	Sub-Heading	Article Description	Rates of Duty		
			General	EU	SADC
73.07		Tube or pipe fittings (for example, couplings, elbows, sleeves of iron or steel).			
	7307.2	Other, of stainless steel			
	7307.23	Butt welding fittings			
	7307.23.10	For use with down pipes and gutter pipes	10%	3,3%	free
	<b>7307.23.90</b>	<b>Other</b>	<b>free</b>	<b>free</b>	<b>free</b>

## 4. Industry and the Market

The manufacturing process of stainless steel flanges involves the moulding of a steel billet in a form from where it is machined to the desired specifications and predetermined holes drilled. In the manufacturing of the butt-welding fittings stainless steel pipes are cut in lengths, bent and formed by tooling in the desired fittings and machined. Steelmor buys its stainless steel pipes from Barloworld SST that uses South African stainless steel and imports when necessary.

The applicant also manufactures stainless steel pipes, tubing, fittings, flanges, bars and sections. The applicant has the production capacity to supply the SACU market.

The market share in volume held by the applicant in the SACU region is estimated at 77% for stainless steel flanges and 71% for stainless steel butt-welding fittings.

## **5. Publication and Comments**

The application was published in the Government Gazette of the 12<sup>th</sup> November 2004 for comments by interested parties. It was published as follows, "*Increase in the general rate of duty on: Welding neck and slip-on type flanges of stainless steel with an inside cross-sectional dimension not exceeding 203.2mm, and stainless steel butt-weldings, classifiable under tariff sub-headings 7307.21.90 and 7307.23.90 respectively, from free of duty to 10% and 15% ad valorem respectively.*"

The publication elicited twelve responses. One firm was in support of the application citing the same reasons advanced by Steelmor whilst another indicated that it would not be affected by the change of duty. The remaining ten objected to the application.

Some of the objections centred around the high cost-raising effect the duty will have on the downstream products, the brunt of which will be shouldered by the consumer whilst the industry participants will find it difficult to be competitive. The duty, according to the objectors, will make the locally produced products uncompetitive and other companies will lose their current growth rate momentum.

## **6. Findings**

The Commission considered that the protective measures are not desirable and found that as the sole manufacturer of these products in the SACU, and with a relatively good market share and economic performance, an increase in the rate of duty, and its concomitant cost-raising effects could not be justified.

## **7. Recommendation**

Based on the findings above, the Commission recommends that the application for an increase in the general rate of duty on stainless steel flanges from free of duty to 10% ad valorem and butt-welding fittings from free of duty to 15% ad valorem be rejected.

[T5/2/15/2/1 (30/2003)]