

Report No. 114

Rebate of the duty on materials used in the manufacture of disposable napkins for babies

The International Trade Administration Commission herewith presents
its Report No. 114: REBATE OF THE DUTY ON MATERIALS USED IN
THE MANUFACTURE OF DISPOSABLE NAPKINS FOR BABIES


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CHIEF COMMISSIONER

PRETORIA

...03... May.....2005

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

REPORT NO. 114

REBATE OF THE DUTY ON MATERIALS USED IN THE MANUFACTURE
OF DISPOSABLE NAPKINS FOR BABIES

Synopsis

The Commission considered an application for rebate of the duty on materials used in the manufacture of disposable napkins for babies. The reason for the application is that raw materials are not available from local suppliers. A local manufacturer supported the application and two companies objected to a rebate of the duty on laminated knitted textile fabrics stating that they may in future be able to supply the applicant with the product concerned. The Commission took into consideration that the applicant made a major investment to establish a manufacturing plant locally. The Commission found justification for the creation of a rebate provision, as the materials applied for and used in the manufacture of disposable napkins for babies, are not available in the SACU. A rebate provision would enable the applicant to compete against similar imported end products. The Commission decided to recommend the creation of a rebate provision for rebate of the full duty on raw materials used in the manufacture of disposable napkins for babies. The Commission further decided to recommend that the rebate provision be reviewed two years after implementation, in order to determine whether SACU manufacturers can supply the required laminated knitted textile fabric.

Application and tariff position

Espin Manufacturing (PTY) Limited, applied for rebate of the duty on the products as listed below:

- 1) Release tape and primary closure hook
- 2) Waist shield film and back sheet
- 3) Non-woven fastening tape
- 4) Landing zone

The application was published in the Government Gazette dated 21 January 2005 for comment.

According to the applicant they have evaluated numerous suppliers and sources including CSIR workshops but to date have been unable to source the quality products required for the manufacture of Pampers disposable napkins for babies locally.

As reasons for the application the applicant stated the following:

- *“Espin and its client, Procter & Gamble have worked very closely with the Department of Trade and Industry and the Department of Labour to enable them to establish the local Pampers manufacturing plant in August 2003 at a substantial*

investment to replace the Pampers end product currently being imported into the country.

- *The raw materials are not available from local suppliers.”*

The applicable tariff subheadings and rates of duty of the raw materials are as listed below:

| Raw Material | Tariff Subheading | Rate Of Duty |
|-------------------------|--------------------------|---------------------|
| Self adhesive sheets | 3919.10 | 10% -15% |
| Other sheets, film etc. | 3920.20 | 15% |
| Non-woven materials | 5603.1 | 10% - 20% |
| Knitted textile fabrics | 5903.90 | 5% - 22% |

The applicable tariff subheading and rate of duty of the end product are as listed below:

| End product | Tariff Subheading | Rate Of Duty |
|---|--------------------------|---------------------|
| Sanitary towels and tampons, napkins and napkin liners for babies and similar sanitary articles | 4818.40 | 20% |

The applicant employs 92 employees – all allocated to the manufacture and packing of the end product. The above workers exclude cleaning, security and garden services, which are outsourced.

The applicant made a substantial investment to establish a manufacturing plant where the end product is manufactured.

Kimberly Clark, manufacturers of Huggies, and Nampak, manufacturers of Cuddlers, are the other SACU manufacturers of disposable napkins for babies.

An estimate of the present size of the SACU market in both quantity and ex-factory sales value per annum for the end product, is as follows:

| Estimate of the present size of the SACU market for the End Product | Quantity | Ex-Factory Sales |
|--|-----------------|-------------------------|
| Disposable napkins for babies | 700 000 000 | R610 000 000 |

Consideration

The investigation revealed that the duty payable on the imported raw materials, when expressed as a percentage of the ex-factory selling price, is significant.

The applicant experiences a price disadvantage against similar imported disposable napkins for babies.

Two SACU companies objected to the application stating that, in future, they may be able to manufacture the laminated textile fabric but were unable to give an indication of when such trials may be initiated and what the cost implications would be.

A local manufacturer of disposable diapers supported the application stating that they have tried to source the products concerned locally but with no success.

No other comments were received in terms of the products classifiable under tariff subheadings 3919.10, 3920.20 and 5603.10.

Recommendation

The Commission recommends the creation of a rebate provision for rebate of the full duty on the following materials used in the manufacture of disposable napkins for babies:

- 1) Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes of polymers of propylene, mono-axially oriented, in rolls of a width not exceeding 20 cm, classifiable in tariff subheading 3919.10;
- 2) Other plates, sheets film, foil and strip, of polymers of propylene, of a thickness of 0.012 mm or more but not exceeding 0.06 mm, not heat shrinkable, non-cellular and not reinforced, laminated, supported or similarly combined with other materials classifiable in tariff subheading 3920.20;
- 3) Non woven, impregnated, coated, covered or laminated with plastics, of a mass exceeding 25 g/m² but not exceeding 150 g/m² classifiable in tariff subheading 5603.1; and
- 4) Knitted textile fabrics impregnated, coated, covered or laminated with plastics (excluding those of heading 59.02), of a mass of less than 200g/m² and a width or circumference exceeding 200 mm classifiable in tariff subheading 5903.90".

The Commission further decided to recommend that the rebate provision be reviewed two years after implementation, in order to determine whether SACU manufacturers can supply the required laminated knitted textile fabric.