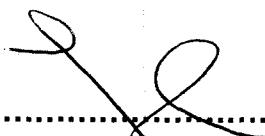


Report No. 117

Rebate of the duty on 100% knitted cotton fabric for the manufacture of laminated knitted cotton used for medical vests

The International Trade Administration Commission herewith presents
its Report No 177: APPLICATION FOR A REBATE OF THE DUTY ON 100
% KNITTED COTTON FABRIC FOR THE MANUFACTURE OF LAMINATED
KNITTED COTTON USED FOR MEDICAL VESTS.


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P.P. Ms. N P Maimela
CHIEF COMMISSIONER
28/06/2005

PRETORIA

.....2005

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

REPORT NO 117

APPLICATION FOR A REBATE OF THE DUTY ON KNITTED COTTON FABRIC FOR THE MANUFACTURE OF LAMINATED KNITTED COTTON USED FOR MEDICAL VESTS

Synopsis

Rosscheff (Pty) Ltd applied for rebate of the full duty on 100 % knitted cotton fabric with a mass of 150g/m², laminated to a breathable membrane, classifiable under tariff subheading 5903.90.40 at a rate of duty of 22 per cent ***ad valorem*** for the manufacture of medical vests classifiable under tariff subheading 6307.90.90. As reasons for the application the applicant stated that laminated cotton couldn't be sourced anywhere else in the SACU and the duty on the raw material made the end product uncompetitive.

The application was published in the Government Gazette of 25 June 2004 and 29 October 2004.

The Textile Federation and BreatheTex Corporation, the only laminator of waterproof breathable fabrics in SACU, objected the application.

The Commission decided to reject the application in view of the fact that the duty serves as protection and encouragement to the domestic manufacturer of the products.

The application and the tariff position

The product applied for by Rosscheff (Pty) Ltd was 100% knitted cotton fabric with a mass of 150g/m², laminated to a breathable membrane, classifiable under tariff subheading 5903.90.40 with a rate of duty of 22 per cent ***ad valorem*** for the manufacture of medical vests classifiable under tariff subheading 6307.90.90

As reasons for this application the applicant stated the following:

- “Laminated cotton cannot be sourced anywhere else in the SACU.
- “The import duty makes the end product very expensive.

Tariff structure and publication

The imported knitted cotton laminated fabric used for the manufacture of medical vests is classifiable under tariff subheading 5903.90.40 as follows:

Table 1: Tariff Description

Description	Tariff heading	General	EU	SADC
Textile Fabrics Impregnated, Coated, Covered or Laminated with Plastics (Excluding those of heading No 59.02)	59.03			
Other with a mass of less than 200 g/m and a width or circumference exceeding 200 mm	5903.90.40	20%	13 %	Free

The duty phase down of products classifiable under tariff subheading 5903.90.40 in terms of SADC and EU are as follows:

Table 2: SADC: Knitted cotton fabric

Tariff	Base Rate	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008-2012
5903.90.40	20%	0%	0%	0%	0%	0%

Table 3: Phase down in terms of the EU Agreement: Knitted cotton fabric

Tariff	Base Rate	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008-2012
5903.90.40	20%	15%	13%	12%	10%	10 %

The end product, medical vests is classifiable under tariff subheading 5903.90.40 as follows:

Table 4: Tariff classification medical vests

Description	Tariff heading	Duty General	Duty EU	Duty SADC
Other made up articles, including dress patterns				
Other	6307.90.90	20 %	17,6 %	Free

The phase down in terms of SADC and EU in respect of medical vests classifiable under tariff subheading 6307.90.90 is as follows:

Table 5: SADC: medical vests

Tariff	Base Rate	Year 2004	Year 2005	Year 2006	Year 2007	Year 2012
6307.90.90	20%	0%	0%	0%	0%	0%

Table 6: Phase down in terms of the EU Agreement: medical vests

Tariff	Base Rate	Year 2004	Year 2005	Year 2006	Year 2007	Year 2012
6307.90.90	20%	20 %	17,6 %	15 %	12,6%	0%

The application was published in the Government Gazette of 25 June 2004 and on 29 October 2004.

Consideration

The investigation conducted revealed that BreatheTex Corporation was the only manufacturer and laminator of waterproof breathable fabrics in SACU.

In terms of the existing customs tariff policy, a rebate provision in Schedule 3 can only be recommended where the product concerned or a suitable substitute is not manufactured in the Customs Union and where the duty payable thereon means that the relevant end product cannot compete in terms of price against similar imported products. In the light of the above no justification existed for the creation of a rebate provision.

The local manufacturer of the laminated fabric in SACU, BreatheTex Corporation, has a total investment of approximately R 50 million and employs 18 workers in the manufacturing process. A rebate could impact negatively on the performance of this firm.

Recommendation

In view of the fact that the duty serves as protection and encouragement to the domestic industry, the Commission decided to reject the application for a rebate of the customs duty on 100 % knitted cotton fabric with a mass of 150g/m², laminated to a breathable membrane, classifiable under tariff subheading 5903.90.40 used for the manufacture of medical vests.