

Report No. 83

Amendment of rebate item 316.01/7604.21/01.06 relating to the composition of aluminium alloys used in the manufacture of condensers and evaporators for automotive air conditioners

The **International Trade Administration Commission** herewith presents its Report No: 83: **Amendment of Rebate Item 316.01/7604.21/01.06 relating to the composition of aluminium alloys used in the manufacture of condensers and evaporators for automotive air conditioners with a recommendation.**



Ms N.P. MAIMELA
CHIEF COMMISSIONER

PRETORIA

07 February **2005**

**INTERNATIONAL TRADE ADMINISTRATION
COMMISSION OF SOUTH AFRICA**

REPORT NO.83

**AMENDMENT OF REBATE ITEM 316.01/7604.21/01.06
RELATING TO THE COMPOSITION OF ALUMINIUM ALLOYS
USED IN THE MANUFACTURE OF CONDENSERS AND
EVAPORATORS FOR AUTOMOTIVE AIR CONDITIONERS**

SYNOPSIS

Smiths Manufacturing (Pty) Ltd applied for the amendment of rebate item 316.01/7604.21/01.06 to exclude the reference to the chemical composition of the aluminium profiles that is provided for under the rebate item. The Commission found that the description of rebate item 316.01/7604.21/01.06 is too restrictive as new materials are continuously developed and are used in the manufacture of heat exchangers. Automotive heat exchangers manufactured in the SACU have to meet the technology requirements of source countries. The Southern African Customs Union (SACU) manufacturer of aluminium is not able to manufacture the material required to manufacture heat exchangers. The Commission recommended that the description be amended to exclude the chemical composition of the aluminium alloys of hollow profiles.

INTRODUCTION

1. Smiths Manufacturing (Pty) Ltd applied for the amendment of the description of rebate item 316.01/7604.21/01.06 to exclude the reference to the chemical composition of the aluminium alloys of hollow profiles that is provided for under the rebate item.

TARIFF POSITION

2. The wording of the rebate provision currently reads as follows "Hollow profiles, of aluminium alloys, of a maximum cross-sectional dimension not exceeding 370 mm, containing by mass, not more than-

- 6 per cent copper;
- 6 per cent magnesium;
- 2 per cent silicon;
- 8.5 percent zinc;
- 2 per cent manganese;
- 4 per cent titanium;
- 0,5 per cent boron,

for the manufacture of condensers and evaporators for motor vehicle air conditioner equipment in such quantities as the International Trade Administration Commission may allow by specific permit after the Commission has been satisfied that the quality of such locally manufactured hollow profile aluminium alloys is not acceptable to the motor industry."

4. However, the notes to Chapter 76 of Schedule Number 1 of the Customs and Excise Act of 1964, aluminum and aluminium alloys are defined as follows:

"SUBHEADING NOTES:	
1. In this Chapter the following expressions have the meaning assigned to them:	
(a) Aluminium, not alloyed	
Metal containing by mass at least 99 per cent aluminium, provided that the content by mass of any other element does not exceed the limit specified in the following table:	
TABLE- OTHER ELEMENTS	
Element	Limiting content per cent by mass
Fe + Si (iron plus silicon)	1
Other elements	0.1
Other elements are, for example, Cr, Cu, Mg, Mn, Ni, Zn	
Copper is not permitted in a proportion greater than 0,1 per cent but not more 0,2 per cent, provided that neither the chromium or manganese content exceeds 0,5 per cent	

(b) Aluminium alloys

Metallic substances in which aluminium predominates by mass over each of the other elements provided that:

- (i) the content by mass of at least one of the other elements or of iron plus silicon taken together is greater than the limit specified or
- (ii) the total content by mass of such other elements exceeds 1 per cent.

5. Smiths Manufacturing (Pty) Ltd requested that the wording of the rebate provision be amended to read as follows: "Hollow profiles of aluminium construction, of a cross-sectional dimension not exceeding 370 mm for the manufacture of condensers and evaporators for motor vehicle air conditioning equipment in such quantities as by International Trade Administration Commission may allow by specific permit after the Commission has been satisfied that the quality of such locally manufactured hollow profiles of aluminium alloys is not acceptable to the motor industry".
6. The applicant contended that technology with regard to the material used to manufacture heat exchangers has advanced to such extent that it is now termed as "long-life aluminium". The aluminium profiles that are now imported do not meet the chemical composition required in terms of the current wording of the rebate provision. The applicant is of the opinion that the wording of the rebate provision is in conflict with the Notes to Chapter 76 of Schedule Number 1 of the Customs and Excise Act of 1964 and also against the interpretation of the World Customs Organisation, specifically with regard to the copper content.
7. The applicant and other automotive air conditioner manufacturers use certain compositions of the aluminium that is produced in the SACU. The Motor Industry Development Programme (MIDP) encourages the use of SACU produced components and materials.

8. The application was published in the Government Gazette of the 12th of March 2004 as follows: "Hollow profiles of aluminium, of a maximum cross-sectional dimension not exceeding 370 mm for the manufacture of condensers and evaporators for motor vehicle air conditioner equipment, in such quantities as the International Trade Administration Commission may allow by specific permit after the Commission has been satisfied that the quality of such locally manufactured hollow profiles of aluminum alloys is not acceptable to the motor industry.
9. No comments or objections were received during the publication period.
10. The Commission found that the description of rebate item 316.01 /7604.21 /01.06 is too restrictive as new materials are continuously developed and are used in the manufacture of heat exchangers. Automotive heat exchangers manufactured in SACU have to meet the technology requirements of source countries. The SACU manufacturer of aluminium is not able to manufacture the specific material required to manufacture heat exchangers. Furthermore, the motor industry should be afforded the opportunity to access inputs at internationally competitive prices.

RECOMMENDATION

11. The Commission recommends that the description of rebate item 316.01/76 04.21/01.06 relating to the composition of the aluminium alloys used to manufacture hollow profiles be amended to read as follows: "Hollow profiles of aluminium construction, of a cross-sectional dimension not exceeding 370 mm for the manufacture of condensers and evaporators for motor vehicle air conditioning equipment in such quantities as permitted the by International Trade Administration Commission may allow by specific permit after the Commission has been satisfied that the quality of such locally manufactured hollow profiles of aluminium alloys is not acceptable to the motor industry".