



International Trade Administration Commission of South Africa

Report No. 97

Reduction in the rate of customs duty on unmounted rubber strips

The International Trade Administration Commission herewith presents its Report No. 97:
Reduction in the rate of customs duty on unmounted rubber strips, with a
recommendation.



**MS NOMONDE MAIMELA
CHIEF COMMISSIONER**

PRETORIA

17/02/-----2005

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION

REPORT NO. 97

REDUCTION IN THE RATE OF CUSTOMS DUTY ON UNMOUNTED RUBBER STRIPS

Synopsis

The Commission considered an application by Federal Mogul Ignition (Pty) Ltd for the creation of a rebate of duty for rubber strips classifiable under tariff subheading 4016.99.20, for the manufacture of windscreen wiper blades classifiable under tariff subheading 8512.90.

The Commission found that the rubber strips are not manufactured in SACU, and as a result the duty does not serve a protective purpose. The Commission subsequently concluded that a reduction of the customs duty on unmounted rubber strips for the windscreen wiper blades in place of a rebate provision should be effected in Schedule 1 of the Customs & Excise Act, 1964.

1. The Application

Federal Mogul Ignition (Pty) Ltd applied for the creation of a rebate of duty for rubber strips classifiable under tariff subheading 4016.99.20 for the manufacture of windscreen wiper blades classifiable under tariff subheading 8512.90.

The applicant contended that the imported raw material (rubber strips) is subject to a 20% rate of duty while there is no duty on the finished product (windscreen wiper blade). The importers of the end product, complete wiper blades can import the product free of duty while the local manufacturer is subject to a considerable amount of duty on the rubber imported to manufacture the wiper blade. According to the customs tariff policy, such a situation is considered an anomaly. Furthermore, the rubber strips are not manufactured in the Southern African Customs Union (SACU), and as a result the duty does not serve a protective purpose.

2. Tariff Structure

The product covered by the application is a rubber strip used by the applicant as an input material for the manufacture of windscreen wiper blades.

Table 1: The existing tariff position of rubber strips:

Tariff Heading	Description	Rates of Duty		
		General	EU	SADC
40.16	Other Articles of Vulcanised Rubber strips			
4016.99.20	Other parts for use with motor vehicles	20%	16%	Free

Table 2: The existing tariff position of the complete windscreen wiper blades:

Tariff Heading	Description	Rates of duty		
		General	EU	SADC
85.12	Electrical Lighting or Signalling Equipment (Excluding Articles of Heading No. 85.39), Windscreen Wipers, Defrosters and Demisters, of a Kind Used for Cycles or Motor Vehicles:			
8512.90	Parts	Free	Free	Free

3. Industry and Market

It was established with the National Association of Automotive Components and Allied Manufacturers (NAACAM) that Federal Mogul competes with DANA South Africa (Pty) Ltd, an importer of complete wiper blades. DANA imports wiper blades for both light and heavy motor vehicles. Federal Mogul manufactures the wiper blades for the light motor vehicles only.

4. Publication of Application

The application was published under general notice no. 2408 in the Government Gazette of 29 October 2004. No objections to the application were received from the relevant industry.

5. Consideration

- The unmounted rubber strips are not manufactured in SACU.
- The duty serves no protective or developmental purpose.
- The importers of the end product namely complete windscreen wiper blades can import the product free of duty while the local manufacturer is subject to a considerable amount of duty on the rubber imported to manufacture the wiper.
- No objections to the application were received.
- A reduction in the rate of duty would help to reduce production costs and promote downstream value addition in SACU.

6. Recommendation

It is recommended that Schedule No. 1 to the Customs and Excise Act, 1964, be amended by reducing the rate of duty on unmounted rubber strips, classifiable under tariff subheading 4016.99.20 to free of duty.