


Report No. 99

Reduction in the customs duty on used pneumatic tyres

**The International Trade Administration Commission of South Africa
herewith presents Report No. 99: REDUCTION IN THE CUSTOMS DUTY
ON USED PNEUMATIC TYRES**



.....

**Ms NOMONDE MAIMELA
CHIEF COMMISSIONER**

PRETORIA

22.02.2005

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION
REPORT NO. 99

**REDUCTION IN THE CUSTOMS DUTY ON USED PNEUMATIC
TYRES**

Synopsis

The Commission considered an application for a reduction in the duty on used pneumatic tyres, classifiable under tariff subheading 4012.20.90 from 25% *ad valorem* to free of duty, used only by the bona fide retreaders.

As reasons for the application, the applicant stated that the volumes of used pneumatic tyres from the SACU industry are not sufficient to meet the demands of the retread tyre market, and that secondly, the 25% *ad valorem* duty on tariff sub-heading 4012.20.90 does not serve its purpose in the light of import control measures in place, which allow importation of used tyres by *bona fide* retreaders only.

The Commission approved the reduction in duty from 25% *ad valorem* to free of duty on used pneumatic tyres, based on the following:

- a shortage of the raw material (used tyres) in the SACU.
- The new tyre manufacturers are not threatened by the existence of the retreading sector, as they are serving two distinct segments.
- Employment opportunities presented by the retreading industry are significant. The new tyre manufacturing industry currently employs about 6 600 people, and the retreader (typically an SMME) employs about 3 500 people, and showing growing employment.
- Under tariff subheading 4012.20.90 i.e. used tyres, there are two policy

instruments used, namely the ordinary customs duty and a quantitative import control measure. The import control measures regulate the quantities of used tyres imported and confine those tyres to the manufacture of retreaded tyres.

The Application and Tariff Position

1. The Commission considered an application for the reduction in duty on used pneumatic tyres, classifiable under tariff subheading 4012.20.90 from 25% duty *ad valorem* to free of duty. The application was submitted by the Retail Motor Industry Organization.
2. As reasons for the application, the applicant stated that the volumes of used pneumatic tyres from the SACU industry are not sufficient to meet the demands of the retread tyre market, and that secondly, the 25% *ad valorem* duty on tariff sub-heading 4012.20.90 does not serve its purpose in the light of the quantitative import control measure in place, which allows importation of used tyres by *bona fide* retreaders only.
3. A notice of the investigation was published in the Government Gazette for public comment. The application attracted objections from the new tyre manufacturers. Reasons for objections were:
 - The incidence of tyres being sold as second hands is increasing;
 - More carnage on the roads due to tyre related accidents;
 - More pressure on the new tyre pricing to below cost recovery levels;
 - Further environmental waste generation; and
 - Lack of effort from the retreaders to collect retreadable casings locally.
4. The retreaders claimed that:
 - The 25% duty on the used imported tyres is currently threatening the future existence of their operations.

- The current market conditions have reduced new tyre prices to levels where the competitiveness of retreaded tyres is being eroded owing to the high import duty on used tyres for retreading purposes.
- Quality of the casings from the local market poses a problem for retreaders who are striving to produce a superior quality retread.

5. The existing tariff classification for pneumatic tyres is as follows:

Table 1: Raw Material: Used Pneumatic Tyres

PRODUCT	TARIFF SUBHEADING	RATES OF DUTY		
		Gen	EU	SADC
Other	4012.20.90	25%	19%	Free

Table2: Finished Product: Retreaded Tyres

PRODUCT	TARIFF SUBHEADING	RATES OF DUTY		
		Gen	EU	SADC
Of a kind used on motor cars	4012.11	43%	17%	Free
Of a kind used on buses or lorries	4012.12	36%	17%	Free

Table 3 : New Tyres

PRODUCT	TARIFF SUBHEADING	RATES OF DUTY		
		Gen	EU	SADC
Of a kind used on motor cars	4011.10	30%	18%	Free
Of a kind used on buses and lorries	4011.20	25%	17%	Free

Consideration

6. The customs duties have been introduced to protect the local tyre manufacturing industry. The new tyre manufacturers enjoy ample protection through the relatively high tariffs and the import control on all tyres (used, retreaded, and new). The industry is also incentivised through the Motor Industry Development Programme (MIDP).
7. The Commission confirmed that there is shortage of raw material (used tyres) in the SACU.
8. The new tyre manufacturers are not threatened by the existence of the retreading sector, as they are serving two distinct segments.
9. Employment opportunities presented by the retreading industry are significant. The new tyre manufacturing industry currently employs about 6 600 people, and the retreader (typically an SMME) employs about 3 500 people, and showing growing employment.
10. In addition to the tariff protection, the import control measures in place quantitatively regulate the importation of all tyres. Only bona fide retreaders are allowed to import used tyres.

Recommendation

11. The Commission recommends that the duty on used pneumatic tyres, classifiable under tariff subheading 4012.20.90 be reduced from 25% *ad valorem* to free of duty.