




International Trade Administration Commission of South Africa

Report No. 56

Reduction in the rate of duty on fully automatic washing machines

The International Trade Administration Commission herewith presents its Report
No.56: REDUCTION IN THE RATE OF DUTY ON FULLY AUTOMATIC WASHING
MACHINES, with recommendations.


.....
Ms Nomonde Maimela
CHIEF COMMISSIONER

PRETORIA

..15.....May..... 2004

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION
REPORT NO. 56

**REDUCTION IN THE RATE OF DUTY ON FULLY
AUTOMATIC WASHING MACHINES**

Synopsis

The International Trade Administration Commission (ITAC) considered an application for a reduction in the rate of duty on fully automatic washing machines. The motivation for the application was that the current duty has no protective and developmental purpose, as there are no domestic manufacturers of such machines. The current duty is also considered to be a cost burden to the consumer.

The Commission found sufficient justification for recommending the reduction in the rate of duty on fully automatic washing machines.

The application

1. Defy Appliances applied for a reduction in the rate of duty on "*fully automatic washing machines*" classifiable under tariff subheading 8450.11.15, from 30% ad valorem to free of duty.
2. Defy has factories in Jacobs (Durban), Ezakheni (Ladysmith) and East London. The factory in Ezakheni manufactures electric chest freezers and electric refrigerators, whilst the East London factory manufactures electric refrigerators.
3. Defy is the largest manufacturer and distributor of major appliances in the Southern African Customs Union (SACU). The company has been in existence for almost 100 years. During the past 60 years, Defy has taken a leading role in appliance manufacturing, pioneering among others, the manufacturing of gas stoves, washing machines, tumble dryers, convection ovens and microwave ovens in the SACU.
4. Defy is a privately owned company jointly owned by Ethos Private Equity and management. The company employs approximately 2 800 people.
5. Prior to 30 September 2003, Defy was the sole manufacturer of "*fully automatic washing machines*" in SACU. The decision to cease manufacturing was based on economic reasons. The current duty does not serve as encouragement to manufacture these machines, but is a cost burden to the consumer and the industry. Defy does not envisage re-entering the manufacturing market for fully automatic washing machines.

The tariff position

6. The tariff position of the end product is as follows:

Heading	Sub-Heading	Article Description	Rates of Duty		
			Gen	EU	SADC
84.50		Household or Laundry-type Washing Machines, including Machines Which Both Wash and Dry:			
	8450.1	- Machines , each of a dry linen capacity not exceeding 10kg:			
	84.50.11	= Fully-automatic machines:			
	8450.11.15	- Of a dry linen capacity not exceeding 7 kg (excluding coin-operated machines)	30%	30%	24%
	8450.11.90	- Other	Free	Free	Free

Consideration

7. The Commission took into consideration that there are no domestic manufacturers of fully automatic washing machines and that the current duty has no protective purpose and is a cost burden to the consumer and the industry.
8. Importers and manufacturers of electrical goods, such as Samsung Electronics Co Ltd and BSH Home Appliances have fully supported the application.
9. There were no objections to the Gazette publication of 30 January 2004 to the application for a reduction in the rate of duty on fully automated washing machines.

Recommendation

10. The Commission recommended that the rates of duty on fully automatic washing machines classifiable under tariff subheading 8450.11.15, be reduced from 30% ad valorem to free of duty.