


REPORT NO. 403

**REDUCTION IN THE GENERAL RATE OF CUSTOMS DUTY ON AC
GENERATORS (ALTERNATORS)**

The International Trade Administration Commission of South Africa herewith presents its Report No. 403 **Reduction in the general rate of customs duty on AC Generators (alternators), with recommendations.**



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

25/07/2012

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 403

REDUCTION IN THE GENERAL RATE OF CUSTOMS DUTY ON A C
GENERATORS (ALTERNATORS)

Synopsis

HUDACO TRADING (Pty) Ltd, applied for a reduction in the general rate of customs duty on AC generators (alternators) classifiable under tariff subheadings 8501.61.10, 8501.61.90 and 8501.62 from 5%, 10% and 10% *ad valorem* respectively, to free of duty.

The Commission found that AC generators (alternators) for fitment into electric generating sets are no longer manufactured in SACU and that there is no intention by industry to manufacture these alternators domestically. A reduction in the general rate of customs duty on AC generators (alternators) would reduce the cost of manufacturing generating sets.

The Commission recommended a reduction in the general rate of customs duty on AC generators (alternators) classifiable under tariff subheadings 8501.61.10, 8501.61.90 and 8501.62 from 5%, 10% and 10% *ad valorem* respectively, to free of duty.

INTRODUCTION

1. HUDACO TRADING (Pty) Ltd, applied for a reduction in the general rate of customs duty on AC generators (alternators) classifiable under tariff subheadings 8501.61.10, 8501.61.90 and 8501.62 from 5%, 10% and 10% *ad valorem* respectively, to free of duty.

2. The applicant is a leading Southern Africa distributor of bearings and power transmission products. The alternators are fitted into electric generating sets. As motivation for the application, the applicant stated the following:

- a) There are no local manufacturers of alternators for generating sets in South Africa and in the SACU region;
- b) The current duty structure for alternators results in uncompetitive pricing for locally manufactured electric generating sets; and
- c) A reduction in the customs duty to free of duty is projected to increase the sales of alternators, which will indirectly lead to investment and job creation through the increased local assembly of electric generating sets.

3. The application was published in the Government Gazette of 25 May 2012 for comment by interested parties.

THE TARIFF STRUCTURE

4. The current tariff structure of alternators is as follows;

Table 1: Tariff position for alternators

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
85.01		Electrical motors and generators (excluding generating sets):					
	8501.6	AC generators (alternators):					
	8501.61	of an output not exceeding 75kVA:					
	8501.61.10	AC Generators of an output not exceeding 25kVA	U	5%	FREE	3.8%	FREE
	8501.61.90	Other	U	10%	FREE	3.8%	FREE
	8501.62	AC Generators of an output exceeding 75kVA but not exceeding 375kVA	U	10%	FREE	3.8%	FREE

5. The requested tariff position is as follows;

Table 2: Requested tariff position for alternators

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
85.01		Electrical motors and generators(excluding generating sets):					
	8501.6	AC generators(alternators):					
	8501.61	AC Generators of an output not exceeding 75kVA:					
	8501.61.10	AC Generators of an output not exceeding 25kVA	U	FREE	FREE	3.8%	FREE
	8501.61.90	AC Generators : Other	U	FREE	FREE	3.8%	FREE
	8501.62.00	AC Generators of an output exceeding 75kVa but not exceeding 375kVA	U	FREE	FREE	3.8%	FREE

INDUSTRY AND MARKET

6. There are no known domestic manufacturers of the subject products. The previous sole manufacturer, Alstom S & E Africa (Pty) Ltd, ceased production.
7. Apart from the applicant, the other major importers of alternators in SACU include Marelli Electrical Machines South Africa (Pty) Ltd; Crompton Greaves and Engga Alternators; Meccalte Alternators Suppliers; Stamford Generators and the Zest Weg Group.

COMMENTS

8. Comments supporting the application were received from the Department of International Trade of the Republic of Botswana; Alstom S & E Africa (Pty) Ltd; Zest Weg Group; and Robert Bosch (Pty) Ltd.

FINDINGS

9. The Commission found that AC generators (alternators) for fitment into electric generating sets are no longer manufactured in SACU and that there is no intention by industry to manufacture these alternators domestically.

10. The Commission also considered that a reduction in the general rate of customs duty on AC generators (alternators) would reduce the cost of manufacturing electric generating sets domestically.

RECOMMENDATION

11. In light of the foregoing, the Commission recommends that the general rate of customs duty on AC generators (alternators) classifiable under tariff subheadings 8501.61.10, 8501.61.90 and 8501.62 from 5%, 10% and 10% *ad valorem* respectively, be reduced to free of duty.