

**REPORT NO. 585**

**CREATION OF A TEMPORARY REBATE PROVISION ON ORDINARY  
CUSTOMS AND SAFEGUARD DUTIES APPLICABLE ON CERTAIN  
HOT-ROLLED STEEL PLATE CLASSIFIABLE UNDER TARIFF  
SUBHEADINGS 7208.51 AND 7225.40**

The International Trade Administration Commission herewith presents its **Report No. 585: THE CREATION OF A TEMPORARY REBATE PROVISION ON ORDINARY CUSTOMS AND SAFEGUARD DUTIES APPLICABLE ON CERTAIN HOT-ROLLED STEEL PLATE CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7208.51 AND 7225.40**, with recommendations.



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**DUMISANI MBAMBO**  
**DEPUTY CHIEF COMMISSIONER**

**PRETORIA**

**11/07/2018**

# **REPUBLIC OF SOUTH AFRICA**

## **INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

### **REPORT NO. 585**

#### **THE CREATION OF A TEMPORARY REBATE PROVISION ON ORDINARY CUSTOMS AND SAFEGUARD DUTIES APPLICABLE ON CERTAIN HOT-ROLLED STEEL PLATE CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7208.51 AND 7225.40**

##### **Synopsis**

On 20 October 2017, the Commission initiated an investigation into the creation of rebate provisions on ordinary customs and safeguard duties applicable to certain primary steel products not manufactured locally, classifiable under Chapter 72.

Following the initiation by the Commission, John Thompson - a division of Actom (Pty) Ltd submitted information motivating for the creation of a temporary rebate provision on safeguard duties applicable to certain hot-rolled carbon steel plate, classifiable under tariff subheadings 7208.51 and 7225.40. The subject products are used in the manufacture of large industrial and power boilers.

The subject products do not attract ordinary customs duties when imported from the European Union (EU). However, it was noted that the products are not only imported from the EU. Accordingly, the scope of the investigation was expanded to include the applicable ordinary customs duties.

The Commission considered all the relevant information at its disposal. The Commission found that the subject products are not manufactured locally. As such, the applicable ordinary and safeguard duties have an unnecessary cost-raising effect.

The duty relief, through the creation of a rebate provision, will contribute to the reduction in the production cost and will improve the competitive position of the domestic industry.

The rebate provision will be made subject to an ITAC permit issued in terms of guidelines, rules and conditions.

In light of the foregoing, the Commission recommended the creation of a temporary rebate provision on ordinary and safeguard duties applicable to certain hot-rolled carbon steel plate, classifiable under tariff subheadings 7208.51 and 7225.40, as outlined in paragraph 31 of the submission.

## **THE APPLICATION AND TARIFF POSITION**

1. On 20 October 2017, the Commission initiated an investigation into the creation of rebate provisions on ordinary customs and safeguard duties applicable to certain primary steel products not manufactured locally, classifiable under Chapter 72.
2. Following the initiation by the Commission, John Thompson a division of Actom (Pty) Ltd ("John Thompson") submitted information motivating for the creation of a temporary rebate provision on safeguard duties applicable to certain hot-rolled carbon steel plate classifiable under tariff subheadings 7208.51 and 7225.40. The subject products are flat-rolled carbon steel plate with the following specifications:
  - Thickness between 10 mm and 100 mm;
  - Yield strength between 315 MPa and 460 MPa; and
  - Tensile strength between 490 MPa and 650 MPa.
3. John Thompson uses the subject products as an input material for the manufacture of large industrial and power boilers. The imported subject steel plates have distinct metallurgical properties required for design and safety in the manufacture of boilers.
4. The company's facilities are located in the Western Cape (Cape Town) and Kwazulu-Natal (Durban).
5. The subject products do not attract ordinary customs duties when imported from the European Union (EU). However, it was noted that the products are not only imported from the EU. Accordingly, the scope of the investigation was expanded to include the applicable ordinary custom duties.

6. As motivation for the creation of a temporary rebate provision on safeguard duties applicable to certain flat-rolled steel plate, the respondent, amongst others, stated that the subject products are currently not manufactured in the SACU region.

7. The existing ordinary customs duty structure for the subject products is as follows:

**Table 1: Ordinary customs duty structure for the subject products**

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
72.08		Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated:						
	7208.5	Other, not in coils, not further worked than hot-rolled:						
	7208.51	- Of a thickness exceeding 10 mm	kg	10%	Free	Free	Free	10%
72.25		Flat-rolled products of other alloy steel, of a width of 600 mm or more:						
	7225.1	Of silicon-electrical steel:						
	7225.40	Other, not further worked than hot-rolled, not in coils	kg	10%	Free	Free	Free	10%

8. The general rate of ordinary customs duty applicable to the subject products is 10% *ad valorem*. The WTO bound rate is 10% *ad valorem*.

9. The existing safeguard duty structure for the subject products is as follows:

**Table 2: Safeguard duty structure for the subject products**

Item	Tariff Heading	Code	CD	Description	Rebate Items	Imported from or Originating In	Rate of Safeguard
260.00	BASE METALS AND ARTICLES OF BASE METAL						
260.03	IRON AND STEEL						
Item	Tariff Heading	Code	CD	Description	Rebate Items	Imported from or Originating In	Rate of Safeguard
260.00	BASE METALS AND ARTICLES OF BASE METAL						
260.03	72.08	01.04	47	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan), Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the	301.00-399.00; 401.00-499.00 (excluding 460.15/7208.5/ 01.05/460.15/7 208.5/02.05/46 0.15/7208.5/03. 05)	All countries	12%

				Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, United Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of, Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)			
280.03	7225.40	01.06	67	Other, not further worked than hot-rolled, not in coils(excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan), Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, United Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of, Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)	301.00-399.00; 401.00-499.00	All countries	12%

10. The subject products attract a 12% safeguard duty. The safeguard duty will be liberalised to 10% and 8% and free of duty on 11 August 2018; 11 August 2019 and 11 August 2020, respectively.

11. The application was published in the Government Gazette on 20 October 2017 for comments by interested parties, as follows:

**“Creation of temporary rebate provisions on ordinary customs and safeguard duties applicable on primary flat steel not manufactured locally, classifiable under chapter 72”**

12. John Thompson submitted the description for the rebate provision as provided by the South African Revenue Services(SARS) as follows:

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 10 mm or more but not exceeding 100 mm, with a yield strength of 315 MPa or more but not exceeding 460 MPa and a tensile strength of 490 MPa or more but not exceeding 650 MPa, having an impact strength of 27 Joules or more but not exceeding 40 Joules at +20°C or less but not less than -20°C, classifiable in tariff subheading 7208.51, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market; and*

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 10 mm or more but not exceeding 100 mm, with a yield strength of 315 MPa or more but not exceeding 460 MPa and a tensile strength of 490 MPa or more but not exceeding 650 MPa, having an impact strength of 27 Joules or more but not exceeding 40 Joules at +20°C or less but not less than -20°C, classifiable in tariff subheading 7225.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market.*

## **INDUSTRY AND MARKET**

13. The subject hot-rolled carbon steel plate can be distinguished by the main specifications, namely, thickness between 10 mm and 100 mm; yield strength between 315 MPa and 460 MPa; and tensile strength between 490 MPa and 650 MPa.
14. John Thompson uses the subject products as an input material for the manufacture of large industrial and power boilers. The imported subject hot-rolled carbon steel plates have specific metallurgical features required for design and safety in the manufacture of boilers.
15. The boilers are used for process steam and power generation applications in the various industries, such as, sugar, food and beverage, chemical, mining, breweries, petrochemical, steel, metallurgical, textile, pulp and paper.
16. There are no known manufacturers of the subject hot-rolled carbon steel plate with the specific metallurgical properties required for the manufacture of boilers.
17. With regards to the final product, apart from John Thompson, other manufacturers of boilers in the SACU region include, amongst others, Cyclotherm (Pty) Ltd and Cochrane Boilers (Pty) Ltd.

18. Some of the known importers of the boilers in the SACU region include Boiler & Industrial Plant (Pty) Ltd, Boiler Combustion Technologies (Pty) Ltd, Boiler Cleaning Services (Pty) Ltd and Bosch Boilers (Pty) Ltd.

### **COMPETITIVE POSITION**

19. The rebate provision will contribute to a reduction in the cost of production and improvement in the competitive position of the domestic industry.

### **COMMENTS RECEIVED**

20. ArcelorMittal South Africa Limited ("AMSA") submitted comments in support of the creation of a rebate provision for the subject hot-rolled carbon steel plate stating that the subject products are currently not manufactured locally. Furthermore, AMSA emphasised that a control mechanism will be required to address the risk of circumvention of the applicable duties. The mechanism should ensure that the products entered under the rebate permit meet the description of the temporary rebate provision. Thus, ensure that only the subject hot-rolled steel plates which are not manufactured locally are imported through the temporary rebate provision.

### **FINDINGS**

21. The Commission found that the subject products are not manufactured locally. As such, the applicable ordinary and safeguard duties have an unnecessary cost-raising effect on the domestic manufacturing of boilers.

22. The duty relief, through the creation of a rebate provision, will contribute to the reduction in the production cost and will improve the competitive position of the domestic industry.

23. The rebate provision will be made subject to an ITAC permit issued in terms of guidelines, rules and conditions.



## RECOMMENDATION

24. In light of the foregoing, the Commission recommended the creation of a temporary rebate provision on ordinary customs and safeguard duties applicable to certain hot-rolled steel plate, classifiable under tariff subheadings 7208.51 and 7225.40, as follows:

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 10 mm or more but not exceeding 100 mm, with a yield strength of 315 MPa or more but not exceeding 460 MPa and a tensile strength of 490 MPa or more but not exceeding 650 MPa, having an impact strength of 27 Joules or more but not exceeding 40 Joules at +20°C or less but not less than -20°C, classifiable in tariff subheading 7208.51, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market; and*

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness of 10 mm or more but not exceeding 100 mm, with a yield strength of 315 MPa or more but not exceeding 460 MPa and a tensile strength of 490 MPa or more but not exceeding 650 MPa, having an impact strength of 27 Joules or more but not exceeding 40 Joules at +20°C or less but not less than -20°C, classifiable in tariff subheading 7225.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market.*