

REPORT NO. 635

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON FOOT-
OPERATED GREASE GUNS, CLASSIFIABLE UNDER TARIFF
SUBHEADING 8479.89.90**

The International Trade Administration Commission herewith presents its Report No. 635: **INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON FOOT-OPERATED GREASE GUNS, CLASSIFIABLE UNDER TARIFF SUBHEADING 8479.89.90**, with recommendations



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MELULEKI NZIMANDE
CHIEF COMMISSIONER

PRETORIA

15/10/2020

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA
REPORT NO. 635

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON FOOT-OPERATED
GREASE GUNS, CLASSIFIABLE UNDER TARIFF SUBHEADING 8479.89.90**

Synopsis

Gurtech (Pty) Ltd ("Gurtech" or "applicant"), applied for an increase in the rate of customs duty on foot-operated grease gun, classifiable under tariff subheading 8479.89.90, from free of duty to the World Trade Organisation ("WTO") bound rate of 10% *ad valorem*, by way of creating a separate 8-digit tariff subheading.

The International Trade Administration Commission ("ITAC" or the "Commission") considered all the relevant information at its disposal. In particular, the Commission considered the following factors:

- In terms of policy, the downstream steel industry remains a strategic sector for the development and realisation of government's objective to encourage local beneficiation and value addition;
- Gurtech is currently the sole manufacturer of foot-operated grease gun in the Southern African Customs Union ("SACU") region;
- The direct and indirect employment supported by the domestic industry manufacturing the subject products;
- The decline in production and sales volume which have led to significantly low-levels of production capacity utilisation;
- The price disadvantage experienced by the domestic manufacturer of the subject product vis-à-vis imported similar products into the SACU region;
- The declining trend in terms of the profitability coupled with escalating production cost experienced by the domestic industry; and

- The multiplier effects in terms of the considerable potential to deepen the value chain through the applicants' sourcing strategy of input materials, indirect employment, export growth and investment opportunities.

The Commission concluded that an increase in the general rate of customs duty on foot-operated grease gun, classifiable under tariff subheading 8479.89.90 to the WTO Bound rate of 10% *ad valorem*, should improve the price-competitiveness of the domestic industry in the face of foreign competition. The support should assist in the retention of the domestic industry's capability to manufacture the subject product; increase local content and encourage value-addition; improve the production capacity utilisation; achieve economies of scale; sustain current employment and create new job opportunities.

The Commission recommended that the rate of customs duty on foot-operated grease gun, classifiable under tariff subheading 8479.89.90, be increased to the WTO Bound rate of 10% *ad valorem*. The Commission further recommended that the duty structure on the subject products be reviewed to determine its impact on the industry value chain after three (3) years from the date of implementation, or such other period as decided by the Commission.

THE APPLICATION AND TARIFF POSITION

1. Gurtech applied for an increase in the general rate of customs duty on foot-operated grease guns classifiable under tariff subheading 8479.89.90, from free of duty to the WTO Bound rate of 10% *ad valorem*, by way of creating an 8-digit tariff subheading.
2. Gurtech is the sole patent holder, designer and manufacturer of the foot-operated grease guns (the subject product) in the SACU region. The applicant also manufactures and distributes a grease coupler, a component of the grease gun for the replacement.
3. The applicant's manufacturing facility is located in the KwaZulu-Natal province (Howick). It distributes the subject product in the SACU region and exports to various countries through local distributors and retailers.
4. As motivation for the application, the applicant cited, *inter alia*, the following:
 - The applicant is the only manufacturer of foot-operated grease guns in the SACU region. Gurtech, through its sourcing strategy, supports the growth and sustainability of intermediate manufacturers of its input products;
 - Since the patent to manufacture the subject product lapsed, international manufacturers of lubrication equipment copied the Gurtech foot operated grease gun and are aggressively targeting the Gurtech client base;
 - The domestic industry is experiencing decreased sales volumes, revenue, and production. This is negatively affecting the industry's ability to retain employment; and
 - An increase in the rate of customs duty will enable the applicant to retain domestic volumes, increase capacity utilisation and improve sustainability of industries manufacturing inputs products.

5. The application was published in the Government Gazette No. 43288 on 08 May 2020 under Notice 260 of 2020 for four (4) weeks as follows:

INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON:

“Foot operated grease gun, classifiable under tariff subheading 8479.89.90, by way of creating an additional 8-digit tariff subheading from free of duty to 10% ad valorem”.

6. The existing tariff structure for the respective foot-operated grease gun is shown in Table 1 below:

Table 1: Current tariff position

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
84.79	Machines and mechanical appliances having individual functions, not specified or included elsewhere in this Chapter:							
8479.89	Other							
	8479.89.90	Other	U	Free	Free	Free	Free	Free

Source: Applicant, 2020.

7. The existing tariff structure encompasses other products that are not subject to this investigation. The South African Revenue Service (SARS) provided the tariff structure as depicted in Table 2 below. The proposed tariff structure introduces an 8-digit tariff subheading in order to cater for the subject products currently manufactured by the domestic industry whilst excluding products that are not manufactured locally.
8. Table 2 below shows the requested tariff structure for the subject products is as follows as provided by SARS.

Table 2: Requested tariff position for the subject products

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
84.79	Machines and mechanical appliances having individual functions, not specified or included elsewhere in this Chapter:							
8479.89	Other							
	8479.89.xx	Greasing appliances, foot operated	U	10%	Free	Free	Free	Free

Source: SARS, 2020.

9. The WTO bound rate on the subject products is 10% *ad valorem*.

INDUSTRY AND MARKET

10. The subject product is an 8kg heavy duty, industrial strength, foot operated grease gun, with a two-stage pump and a “patented pressure return valve” that allows for hands-free operation. It is a high-pressure portable grease pump, which is activated by pushing down on the foot treadle. The pressure return valve is activated by hooking up the foot treadle, releasing all the pressure in the hose, back into the grease bucket. Figure 1 below, depicts the subject product.

Figure 1: Foot-operated grease gun



Source: Applicant, 2020

11. The main raw materials used in the manufacture of the subject products are steel coil, steel sheet and steel tubing.
12. In terms of end-use, the subject product is used for quick greasing in lubrication applications, such as greasing of excavators and other earth moving equipment, used in the construction, agriculture, engineering equipment and automotive vehicles.
13. Gurtech is currently the sole manufacturer foot-operated grease gun in the SACU region.
14. The identified importers of the subject products in the SACU include, *amongst others*, the following companies:

- Ardendorf Machinery Mart (Pty) Ltd;
- Bell Equipment (Pty) Ltd;
- Bidvest Commercial Products (Pty) Ltd;
- Caterpillar Southern Africa (Pty) Ltd; and
- Würth South Africa Co (Pty) Ltd.

15. It should be noted that the import statistics under tariff subheading 8479.89.90 relate to all imports of machines and mechanical appliances having individual functions, not specified or included elsewhere in Chapter 84. Due to the nature of the current tariff classification, the import volumes as provided by SARS cannot be separately analysed to show the specific import trends for the subject products.

16. The subject product is exported to a number of countries, including amongst others, Chile, United Kingdom, Côte d'Ivoire, New Zealand, United States of America, Ireland, Mauritius, India, Trinidad, Germany, and Japan.

COMPETITIVE POSITION

17. In line with the policy objective, the downstream steel industry remains a strategic sector for the development and realisation of government's objective to encourage local beneficiation and value addition.

18. According to the IPAP (2018/19- 2020/21) challenges facing the downstream steel industry include uncompetitive input costs (electricity, logistics and raw materials) rendering the industry uncompetitive; unequal trading platforms in the form of higher tariffs and non-tariff barriers in potential export markets on a number of value-added products resulting in a surge of low-value high-volume imports.

19. According to the information at the Commission's disposal, the domestic industry is experiencing a significant price disadvantage vis-à-vis imports of the subject foot-operated grease gun.

COMMENTS RECEIVED

20. Comments in support of the application were received from the Steel and Engineering Industries Federation of Southern Africa ("SEIFSA"). SEIFSA's comments centred on the following factors: the declining contribution of manufacturing sector to gross domestic product coupled with faster levels of de-industrialisation locally; high import penetration of low-priced imports into the domestic market; and that tariff support if granted will enhance competitiveness of the domestic industry and result in sustainable jobs in the medium to long term.

FINDINGS

21. The Commission considered the application in light of information at its disposal. In particular, the Commission considered the following factors:

- In terms of policy, the downstream steel industry remains a strategic sector for the development and realisation of government's objective to encourage local beneficiation and value addition;
- Gurtech is currently the sole manufacturer of foot-operated grease gun in the SACU region;
- The direct and indirect employment supported by the domestic industry manufacturing the subject products;
- The decline in production and sales volume which have led to significantly low-levels of production capacity utilisation;
- The price disadvantage experienced by the domestic manufacturer of the subject product vis-à-vis imported similar products into the SACU region;
- The declining trend in terms of the profitability coupled with escalating production cost experienced by the domestic industry; and

- The multiplier effects in terms of the considerable potential to deepen the value chain through the applicants' sourcing strategy of input materials, indirect employment, export growth and investment opportunities.

22. The Commission concluded that an increase in the general rate of customs duty on foot-operated grease gun, classifiable under tariff subheading 8479.89.90 to the WTO Bound rate of 10% *ad valorem*, would improve the price-competitiveness position of a domestic industry in the face of stiff foreign competition. The support would assist in the retention of the domestic industry capability to manufacture the subject product; increase local content and encourage value-addition; improve the production capacity utilisation; achieve economies of scale; sustain current employment and create new job opportunities in the value chain.

PROPOSAL

23. In light of the foregoing, the Commission recommended an increase in the general rate of customs duty on foot operated grease guns classifiable under tariff subheading 8479.89.90, from free of duty to the WTO Bound rate of 10% *ad valorem*, by way of creating an additional 8-digit subheading.

24. The Commission further recommended that the duty structure on the subject products be reviewed to determine its impact on the industry value chain after three (3) years from the date of implementation, or such other period as decided by the Commission.