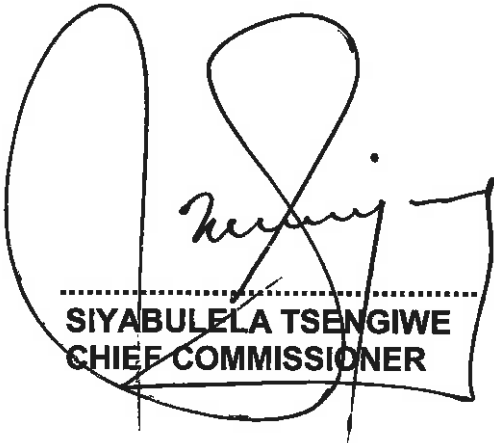


**REPORT NO. 536**

**CREATION OF A REBATE PROVISION FOR  
SWITCHES AND WIRE USED IN THE MANUFACTURE  
OF ELECTRIC BLANKETS**

The International Trade Administration Commission herewith presents its Report No. 536: **CREATION OF A REBATE PROVISION FOR SWITCHES AND WIRE USED IN THE MANUFACTURE FOR ELECTRIC BLANKETS**, with recommendations.



SIYABULELA TSENGIWE  
CHIEF COMMISSIONER

PRETORIA  
..11/11/2016

**REPUBLIC OF SOUTH AFRICA**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH  
AFRICA**

**REPORT NO. 536**

**CREATION OF A REBATE PROVISION FOR SWITCHES AND WIRE USED  
IN THE MANUFACTURE OF ELECTRIC BLANKETS**

**Synopsis**

ITAC received an application from Stingray Accessory Manufacturers (Pty) Ltd for the creation of a rebate provision for switches and wire classifiable in tariff subheadings 8536.50.50 and 8544.49.90 for the manufacture of electric blankets classifiable in tariff subheading 6301.10.

The Commission considered the application in light of the information at its disposal.

The Commission found that there are no manufacturers of switches or conductors, for the manufacture of electric blankets in SACU.

The customs duty has an unnecessary cost-raising effect for the manufacturers of electric blankets in SACU.

The Commission concluded that duty relief through the creation of a rebate provision would improve the competitive position of the industry manufacturing electric blankets, enabling it to utilise its installed production capacity and achieve economies of scale with a reduction in the marginal cost of production.

## THE APPLICATION AND TARIFF POSITION

1. ITAC received an application from Stingray Accessory Manufacturers (Pty) Ltd ("Stingray") for the creation of a rebate provision for switches and wire classifiable in tariff subheadings 8536.50.50 and 8544.49.90 for the manufacture of electric blankets classifiable in tariff subheading 6301.10.
2. The applicant is the sole manufacturer of electric blankets in the SACU region.
3. As motivation for the application, the applicant stated that the domestic industry is faced with increasing production costs and the rebate provision will assist in lowering the cost of production.
4. The existing tariff structure for the subject products is as follows:

**Table 1: Current tariff structure for the subject products**

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
85.36		Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, relays, fuses, surge suppressors, plugs, sockets, lamp-holders, junction boxes), for a voltage not exceeding 1 000 V; connectors for optical fibres, optical fibre bundles or cables:						
8536.50		Other switches:						
	8536.50.50	Other, with moulded casings of plastics or other insulating material, with a current rating not exceeding 800 A	u	15%	free	free	free	13,5%
85.44		Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical						

		<b>fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors:</b>						
	8544.49.90	Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors: Other	u	15%	Free	free	free	15%

5. As shown in table 1 above, the subject products attract a customs duty of 15% *ad valorem*.

**Table 2: Requested rebate provision**

Rebate Item	Tariff Heading	Rebate code	Description	Extent of Rebate
	8536.50.50		Other switches, with moulded casings of plastics or other insulating material, with a current rating not exceeding 800 A, classifiable in tariff subheading 8536.50.50 for the manufacture of electric blankets classifiable in tariff subheading 6301.10.	Full duty
	8544.49.90		Other electrical conductors, for a voltage exceeding 80 V, not fitted with connectors, classifiable in tariff subheading 8544.49.90 for the manufacture of electric blankets classifiable in tariff subheading 6301.10.	Full duty

6. The existing tariff structure for the final products is as follows:

**Table 3: Current tariff position of the final products (Electric Blankets)**

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
63.01		Blankets and travelling rugs:						
	6301.10	Electric blankets		30%	18%	15%	free	30%

7. The application was published in the Government Gazette on 26 August 2016 for comments by interested parties, as follows:

### **Creation of a rebate provision on:**

*“Other switches, with moulded casings of plastics or other insulating material, with a current rating not exceeding 800 A, classifiable in tariff subheading 8536.50.50 for the manufacture of electric blankets classifiable in tariff subheading 6301.10.*

*Other electrical conductors, for a voltage exceeding 80 V, not fitted with connectors, classifiable in tariff subheading 8544.49.90 for the manufacture of electric blankets classifiable in tariff subheading 6301.10”*

### **INDUSTRY AND MARKET**

8. The subject products are insulated electrical switches and wire. The insulated electric wire is sandwiched in a non-woven material that is intended to be fixed to a bed to generate heat. The switches are used for control of power and are typically attached to the electric blanket.
9. The manufacturing process of the electric blankets entails the following process:
  - The technology involves a pusher which takes the end of the wire and pushes it through the channels of the shell. The channels are connected and the wire ends up in one continuous zigzag pattern.
  - The machinery for threading the heating element into the blanket shell is specialized equipment developed especially for the electric blanket industry;
  - Each blanket is fully assembled; workers plug it in and turn it on to its full rated power. The bedside control and power cord are usually manufactured or partially assembled by outside vendors; and
  - A manufacturer's label is sewn onto one corner and the edges of the blanket are trimmed. Each blanket is then inspected and tested, folded, bagged, and finally boxed.

10. The applicant is the sole manufacturer of electric blankets in the SACU region and its focus is mostly on high voltage electric blankets.

11. The companies identified as importers of the subject products include the following:

- NU-World Industries Pty Ltd;
- Shoprite Holdings Limited;
- Clicks Group Limited;
- Home of Living Brands Limited; and
- Woolworths Holdings Limited.

### **COMPETITIVE POSITION**

12. The rebate provision would result in a reduction in the cost of material inputs and improve the industry's competitive position against imports of similar final products.

### **COMMENTS RECEIVED**

13. No comments were received during the publication period.

## **FINDINGS**

14. The Commission found that there are no manufacturers of switches or conductors, for the manufacture of electric blankets in SACU.
15. The customs duty has an unnecessary cost-raising effect for the manufacturers of electric blankets.
16. The Commission concluded that duty relief through the creation of a rebate provision would improve the competitive position of the industry manufacturing electric blankets, enabling it to utilise its installed production capacity and achieve economies of scale with a reduction in the marginal cost of production.

## **RECOMMENDATION**

17. In light of the foregoing, the Commission recommends the creation of a rebate provision for switches and wire classifiable in tariff subheadings 8536.50.50 and 8544.49.90 for the manufacture of electric blankets classifiable in tariff subheading under 6301.10, as follows:

*“Other switches, with moulded casings of plastics or other insulating material, with a current rating not exceeding 800 A, classifiable in tariff subheading 8536.50.50 for the manufacture of electric blankets classifiable in tariff subheading 6301.10.*

*Other electrical conductors, for a voltage exceeding 80 V, not fitted with connectors, classifiable in tariff subheading 8544.49.90 for the manufacture of electric blankets classifiable in tariff subheading 6301.10”*