


REPORT NO. 575

**CREATION OF A TEMPORARY REBATE PROVISION ON ORDINARY
CUSTOMS AND SAFEGUARD DUTIES FOR THE IMPORTATION OF
CERTAIN HOT-ROLLED STEEL PLATE, CLASSIFIABLE UNDER
TARIFF SUBHEADING 7225.99**

The International Trade Administration Commission herewith presents its Report No. 575: CREATION OF A TEMPORARY REBATE PROVISION ON ORDINARY CUSTOMS AND SAFEGUARD DUTIES FOR THE IMPORTATION OF CERTAIN HOT-ROLLED STEEL PLATE, CLASSIFIABLE UNDER TARIFF SUBHEADING 7225.99, with recommendations.



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MELULEKI NZIMANDE
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 575

CREATION OF A TEMPORARY REBATE PROVISION ON ORDINARY CUSTOMS AND SAFEGUARD DUTIES FOR THE IMPORTATION OF CERTAIN HOT-ROLLED STEEL PLATE, CLASSIFIABLE UNDER TARIFF SUBHEADING 7225.99

Synopsis

Leong Jin Specialty Steel (Africa) (Pty) Ltd applied for the creation of a temporary rebate provision on ordinary customs and safeguard duties applicable to certain hot-rolled steel plate, classifiable under tariff subheading 7225.99. The subject products are other flat-rolled products of other alloy steel, of a width of 600mm or more. Upon importation the subject products undergo a series of value adding processes according to the specifications set by the domestic downstream industry.

The Commission considered the application in light of the information at its disposal. The Commission found that the subject products are not manufactured locally. As such, the creation of a rebate provision will contribute to the reduction of input costs and improve the competitive position of the domestic downstream industry.

The proposed 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 the ordinary customs and safeguard duties applicable to certain hot-rolled steel classifiable under tariff subheading 7225.99, as outlined in Paragraph 22 of this report.

THE APPLICATION AND TARIFF POSITION

1. Leong Jin Specialty Steel (Africa) (Pty) Ltd applied for the creation of a temporary rebate provision on ordinary customs and safeguard duties applicable to certain hot-rolled steel plate, classifiable under tariff subheading 7225.99.
2. The subject products are other flat-rolled products of other alloy steel, of a width of 600mm or more. Upon importation, the subject products undergo a series of value adding processes according to the specifications set by the domestic downstream industry.
3. The applicant has its facilities located in Gauteng (Johannesburg) and Kwazulu-Natal (Durban).
4. As motivation for the application, the applicant cited the following:
 - There are no manufacturers of the subject products in the SACU region; and
 - The ordinary customs and safeguard duties imposed on the subject products have an unnecessary cost raising effect on the domestic downstream fabrication and manufacturing industry. As a result, current investments are on hold and the domestic industry is unable to create additional employment.
5. The existing ordinary customs duty structure for the subject products is as follows:

Table 1: Current ordinary customs duty structure for the subject products

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
72.25		Flat-rolled products of other alloy steel, of a width of 600 mm or more:						
	7225.99	- Other	kg	10%	Free	Free	Free	10%

6. As shown in the table above, the subject products attract a general ordinary customs duty of 10% *ad valorem*. The WTO bound rate is 10% *ad valorem*.

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

Table 2: Current 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						
260.03	7225.99	01.06	67	Other, (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 People's 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%

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

9. 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 to:

"Flat-rolled products of other alloy steel, of a width of 600mm or more, other, classifiable in tariff subheading 7225.99, 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

10. The subject products can be categorised into two main categories, namely, hot-rolled high strength steel with minimum yield strength of 700 MPa and hot-rolled abrasion resistant steel with a nominal hardness of 400 Brinell.
11. The imported subject products have distinct bending and welding properties required in the manufacture of trailers, dump bodies, earthmoving buckets and lifting equipment for heavy machinery. The final products are mainly used in the transport, mining and construction industries.
12. There are no known manufacturers of the subject products in the SACU region.
13. The domestic industry is characterised by a number of merchants which include amongst others, Leong Jin Special Steel (Africa) (Pty) Ltd and Becker Steel (Pty) Ltd. The merchants import the subject products in bulk and embark on various value-adding activities according to the specifications set by the domestic downstream industry. These include on-site cut to size, drilling, countersinking, bending, rolling and chamfering to drawings.
14. The identified local manufacturers of the final products include the following:
 - Madison Steel Services (Pty) Ltd;
 - Afrit Proprietary Limited;
 - SA Truck Bodies Group;
 - Paramount Trailers (Pty) Ltd; and
 - CTS Trailers (Pty) Ltd.

COMPETITIVE POSITION

15. The creation of a rebate provision will contribute to the reduction of the cost of production and improve the competitive position of the domestic downstream industry manufacturing trailers, dump bodies, earthmoving buckets and lifting equipment for heavy machinery.

COMMENTS RECEIVED

16. Comments supporting the application were received from Macsteel Service Centres SA (Pty) Ltd, citing that the subject products are not manufactured domestically.

17. ArcelorMittal South Africa Limited ("AMSA") supported the creation of a rebate provision for the subject products. However, AMSA also suggested that a control mechanism be formulated to ensure that only the subject products not manufactured locally are imported through the proposed rebate facility.

18. The proposed rebate provision will be made subject to a permit issued by ITAC in terms of specific guidelines, rules and conditions. The relevant guidelines have been formulated to ensure that the domestic industry will be consulted before issuing a permit.

FINDINGS

19. The Commission found that the subject products are not manufactured domestically. As such, the applicable duty has an unnecessary cost-raising effect.

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

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

RECOMMENDATION

22. 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 subheading 7225.99, as follows:

“Flat-rolled products of other alloy steel, of a width of 600mm or more, other, classifiable in tariff subheading 7225.99, 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.”