

**REPORT NO. 614**

**CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF  
OPTIC FIBRE CABLES AND ELECTRICAL APPARATUS USED IN  
THE INTERNATIONAL SUBMARINE OPTIC FIBRE CABLE  
INFRASTRUCTURE**

The International Trade Administration Commission herewith presents its Report No 614:  
**CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF OPTIC FIBRE  
CABLES AND ELECTRICAL APPARATUS USED IN THE INTERNATIONAL  
SUBMARINE OPTIC FIBRE CABLE INFRASTRUCTURE**, with recommendations.

**MELULEKI NZIMANDE  
CHIEF COMMISSIONER**

  
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**PRETORIA**

**17/10/2019**  
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**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH**  
**AFRICA**

**REPORT NO. 614**

**CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF OPTIC  
FIBRE CABLES AND ELECTRICAL APPARATUS USED IN THE  
INTERNATIONAL SUBMARINE OPTIC FIBRE CABLE INFRASTRUCTURE**

**Synopsis**

Open Serve, a Division of Telkom SA SOC Ltd (“the applicant”), applied for the creation of a rebate provision for the importation of optic fibre cables and electrical apparatus classifiable under tariff subheadings 8544.70 and 8536.90.90, respectively, used in the international submarine optic fibre cable infrastructure.

The subject products are the optic fibre cables and electrical apparatus for making connection to and in the electrical circuits both used in the maintenance of the international submarine optic fibre cable system.

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 applicable customs duty has an unnecessary cost-raising effect on the maintenance of the international submarine optic fibre cable infrastructure.

The duty relief, through the creation of a rebate provision, will result in a reduction in maintenance cost of the international submarine optic fibre cable infrastructure.

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 rebate provision for the importation of optic fibre cables and electrical apparatus used in the international submarine optic fibre cable infrastructure, as outlined in paragraph 23 of this report.

## THE APPLICATION AND TARIFF POSITION

1. ITAC received an application from Open Serve, a Division of Telkom SA SOC Ltd (“the applicant”), for the creation of a rebate facility for the importation of optic fibre cables and electrical apparatus classifiable under tariff subheadings 8544.70 and 8536.90.90, respectively, used in the international submarine optic fibre cable infrastructure.
2. The subject products are the optic fibre cables and electrical apparatus for making connection to and in the electrical circuits both used in the maintenance of the international submarine optic fibre cable infrastructure.
3. As motivation for the application, the applicant stated, *amongst others*, the following:
  - There are no local manufacturers of optic fibre cables and electrical apparatus used in the maintenance of the international submarine optic fibre cable infrastructure; and
  - The applicable customs duty on the subject products has an unnecessary cost raising effect in the maintenance of the international submarine optic fibre cable infrastructure.
4. The existing tariff structure of the input products is as follows:

Table 2: Tariff position for the subject products

Tariff heading	Tariff subheading	Description	Statistical units	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:						
8536.90		Other apparatus:						
	8536.90.90	Other	Kg	5%	Free	Free	Free	2.5%
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 fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors:						
	8544.70	Optical fibres	Kg	15%	Free	Free	Free	15%

Source: SARS, (2019)

5. Optic fibre cables attract a general rate of customs duty of 15% *ad valorem* whilst the electrical apparatus attract a general rate of customs duty of 5% *ad valorem*.
6. For administrative purposes, the South African Revenue Service (“SARS”) provided the descriptions for requested rebate provisions as follows:
  - *Optic fibre cables, classifiable in tariff subheading 8544.70, for use in international submarine optic fibre cable infrastructure, at such times and in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided that optic fibre cables are not available in the SACU market; and*
  - *Electrical apparatus for making connections to or in electrical circuits, for a voltage not exceeding 1000 volts, other, classifiable in tariff subheading 8536.90.90, for use in international submarine optic fibre cable infrastructure, at such times and in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided that optic fibre cables are not available in the SACU market.*
7. The application was published in the Government Gazette on 26 July 2019 for interested parties to comment.

## **INDUSTRY AND MARKET**

8. The subject products are the optic fibre cables and electrical apparatus for making connection to and in the electrical circuits both used in the maintenance of the submarine optic fibre cable system. The subject products are used in the submarine operations and cannot be interchangeably used in the terrestrial market.
9. The complete submarine point-to-point communication system consists of the following components all that are built with the capabilities to operate under-sea environment: optic fibre cables, the terminal equipment, the power equipment, repeaters, the joining kits and a branching unit.
10. Submarine optic fibre cables are manufactured with the specifications to withstand different under-sea environments. The following specifications apply: Nominal Permanent Tensile Strength, Nominal Operating Tensile Strength, Nominal Transient Tensile Strength, Fibre and Cable Breaking Load, Weight in Air, Weight in Water, Outer Diameter, Minimum Bending Radius, Stowage Factor, Hydrodynamic Constant, and Cable Modulus.

11. The branching units split the optical signals or fibres carried with a cable such that part of the traffic or fibre pair is terminated or transits a branch country or an additional landing in the same country and the other proceeds to the next country.
12. The repeater provides periodic optical amplification for each fibre path. It is designed to withstand typical marine operations including system laying, burying, recovery, and repair procedures while maintaining its performance and reliability objectives throughout the system's design life.
13. The universal jointing kits are designed with capabilities to ensure continuity of signal through the submarine cable system specifically if the cable has to be re-joined together due to damage or breakage. They are designed such that the cable is joined in such a way that no signal and power is lost.
14. All the cables and the equipment listed above are built with the capabilities to operate under-sea environment.
15. Figures 1, 2 and 3 below depict some of the subject products imported by the applicant.

**Figure 1: Optical Fibre Cable**



**Figure 2: Branching units**

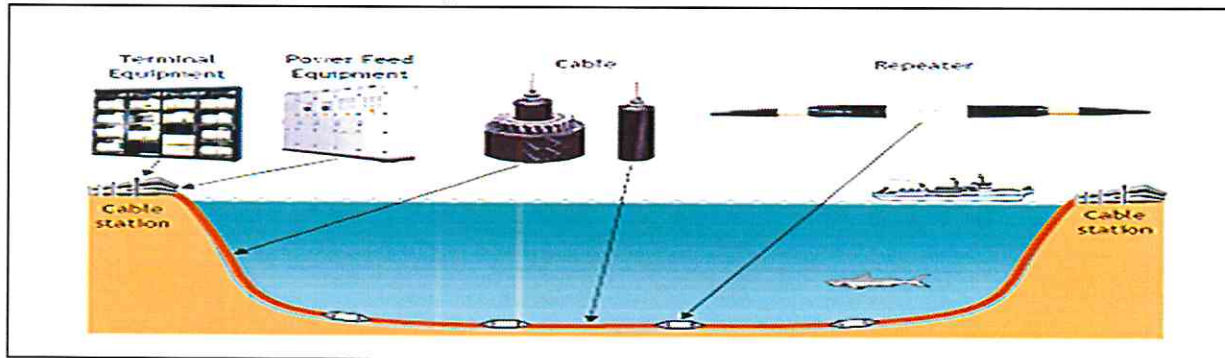


**Figure 3: Repeaters**



16. Figure 4 below illustrates the submarine optic fibre cable system from one cable station to another. The cable stations are the points wherein cable maintenance is conducted.

Figure 4: The submarine optic fibre cable system



17. There are currently no manufacturers of the subject products in the SACU region and in the entire African continent. There are only three known manufacturers of the subject products globally, namely: Alcatel in France, TE-Subcom in the USA and NEC Corporation in Japan.

### **COMPETITIVE POSITION**

18. The rebate provision will assist with the reduction in the maintenance cost of the international submarine optic fibre cable infrastructure.

### **COMMENTS RECEIVED**

19. Yangtze Optics Africa Cable (Pty) Ltd (“YOAC”) submitted comments supporting the creation of a rebate provision for the importation of the subject products.

### **FINDINGS**

20. The Commission found that the subject products are not manufactured locally. As such, the applicable customs duty has an unnecessary cost-raising effect on the maintenance of the international submarine optic fibre cable infrastructure.

21. The duty relief, through the creation of a rebate provision, will result in a reduction in the maintenance cost of the submarine optic fibre cable infrastructure.

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

## **RECOMMENDATION**

23. In light of the foregoing, the Commission recommended the creation of an rebate provision for the importation of optic fibre cables and electrical apparatus used in the international submarine optic fibre cable infrastructure, as follows:

- *Optic fibre cables, classifiable in tariff subheading 8544.70, for use in international submarine optic fibre cable infrastructure, at such times and in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided that optic fibre cables are not available in the SACU market; and*
- *Electrical apparatus for making connections to or in electrical circuits, for a voltage not exceeding 1000 volts, other, classifiable in tariff subheading 8536.90.90, for use in international submarine optic fibre cable infrastructure, at such times and in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided that optic fibre cables are not available in the SACU market.*