

REPORT NO. 467

**APPLICATION FOR REDUCTION IN THE RATE OF
CUSTOMS DUTY ON WHEEL HUBS (EXCLUDING THOSE
OF UNMACHINED CAST METAL)**

The International Trade Administration Commission of South Africa herewith presents
Report No. 467: **APPLICATION FOR REDUCTION IN THE RATE OF CUSTOMS
DUTY ON WHEEL HUBS (EXCLUDING THOSE OF UNMACHINED CAST
METAL)**, with recommendations



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SIYABULELA TSENGWE
CHIEF COMMISSIONER

PRETORIA

...18.../03/2014

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 467

APPLICATION FOR REDUCTION IN THE RATE OF CUSTOMS DUTY ON WHEEL HUBS (EXCLUDING THOSE OF UNMACHINED CAST METAL)

Synopsis

Hudaco Trading (Pty) Ltd applied for a reduction in the rate of customs duty on wheel hubs, classifiable under tariff subheading 8708.50.10, from 20% *ad valorem* to free of duty.

The Commission found that wheel hubs are manufactured domestically and that a reduction in duty would erode the support for and encouragement to the domestic industry manufacturing wheel hubs, adversely affecting investment and employment opportunities in this sector.

The Commission recommended that the application for the reduction in the rate of customs duty on wheel hubs (excluding those of unmachined cast metal) classifiable under tariff subheading 8708.50.10, be rejected.

THE APPLICATION AND THE TARIFF POSITION

1. Hudaco Trading (Pty) Ltd applied for a reduction in the rate of customs duty on wheel hubs, classifiable under tariff subheading 8708.50.10, from 20% *ad valorem* to free of duty.
2. As reasons for the application, the applicant stated the following:
 - There are currently no local manufacturers of the subject product in SACU due to lack of the equipment necessary for precision manufacturing and the unavailability of accurate torque level setting.
 - The benefits of the duty reduction will be passed on to the buyers of the product should the application be successful.
3. The existing tariff structure of the subject product is as follows:

Table 1: Current tariff structure of wheel hubs

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
8708.50	8708.50.10	Wheel hubs (excluding those of unmachined cast metal)	kg	20%	15%	20%	Free

4. The application was published in the Government Gazette on 18 October 2013, for a period of four (4) weeks, for comments by interested parties as follows:

Reduction in the general rate of customs duty on:

“Wheel hubs (excluding those of unmachined cast metal) classifiable under tariff subheading 8708.50.10, from 20% *ad valorem* to free of duty.”

INDUSTRY AND MARKET

5. A *wheel hub and bearing assembly* is an automotive part used in the wheel assemblies of motor vehicles for turning the wheels freely to improve motor vehicle performance, fuel efficiency and breaking system. It is a complete unit comprised of an inner mounting bracket with an integral bearing housing consisting of a roller bearing sweated to a circular hub. The mounting bracket has four holes for affixing to a non-driving axle whilst the integral bearing housing has five threaded studs to which the wheel may be fitted.
6. The main final users of the subject product in South Africa are motor vehicle manufacturers, namely BMW SA (Pty) Ltd, Ford Motor Company of SA, General Motors South Africa, Mercedes-Benz South Africa, Nissan South Africa, Renault South Africa, Toyota South Africa Motors (Pty) Ltd and Volkswagen SA (Pty) Ltd. The applicant supplies to Toyota SA Motors (Pty) Ltd.
7. The official SARS trade statistics for the subject product are shown hereunder:

Table 2: Wheel hubs trade statistics

Year	Rand value		Volume (Kg)	
	Imports	Exports	Imports	Exports
2010	62637844	46562447	917364	2248219
2011	65125405	62026587	1022811	2743574
2012	71073727	204999032	1035292	8844727
2013 (Jan - Nov)	58045655	219728666	776784	7216524

8. The above Table indicates that the volume of total imports of the subject product increased significantly during the period 2010 - 2012 whilst total export volumes also recorded a significant increase. Imports under tariff subheading 8708.50.10 are predominantly from the United Kingdom and from the People's Republic of China. The identified export destinations were Spain and Mexico.
9. ZF Auto Industrial (Pty) Ltd manufactures products such as wheel hubs, break disks, steering knuckles, brake drums etc. They supply their products to various auto makers in South Africa such as BMW SA (Pty) Ltd, Daimler Chrysler SA (Pty) Ltd, Ford Motor Company of SA, General Motors South Africa, and Toyota South Africa Motors (Pty) Ltd. This company is a registered manufacturer of wheel hubs in terms of the Automotive Production Development Programme (APDP).
10. SP Metal Forgings (Pty) Ltd is a South African manufacturer of hot forged precision components for the automotive and non-automotive sectors. It manufactures automotive components such as wheel hubs, exhausts, and steering and suspension mechanisms.

COMMENTS ON APPLICATION

11. Comments objecting to the application were received from the National Association of Automotive Components and Allied Manufacturers (NAACAM) and SP Metal Forgings (Pty) Ltd. The objections were based on the threat to the viability of the local manufacturing of wheel hubs. A reduction in duty has the potential to undermine efforts to support value addition in the broad automotive industry.
12. The Botswana Ministry of Trade and Industry supported the application.

FINDINGS

13. The Commission found that wheel hubs are manufactured domestically and that a reduction in duty would erode the support and encouragement to the domestic industry manufacturing wheel hubs, adversely affecting investment and employment opportunities in the sector.

RECOMMENDATION

14. In the light of the foregoing, the Commission recommends that the application for the reduction in the rate of customs duty on wheel hubs (excluding those of unmachined cast metal) classifiable under tariff subheading 8708.50.10, be rejected.