

REPORT NO. 472

Application for the creation of a rebate provision on “other plates , sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated, supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware, of plastics classifiable in tariff heading 39.22

The International Trade Administration Commission of South Africa herewith presents its Report No. 472: **Application for the creation of a rebate provision on “other plates, sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated, supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware, of plastics classifiable in tariff heading 39.22, with recommendations**



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 472

Application for the creation of a rebate provision on “other plates , sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated, supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware, of plastics classifiable in tariff heading 39.22

Synopsis

The Commission considered an application from Libra Bathrooms (Pty) Ltd, for the creation of a rebate provision on “other plates, sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated, supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware of plastics classifiable in tariff heading 39.22.

The Commission found that acrylic sheet is no longer manufactured in SACU. However, it was found that there is a local manufacturer of a suitable substitute product. The creation of a rebate provision on acrylic sheets would erode the support and encouragement to the industry manufacturing the substitute product, adversely affecting investment and employment opportunities in the industry.

The Commission recommended that the application for creation of a rebate provision on “other plates, sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated, supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware, of plastics classifiable in tariff heading 39.22”, be rejected.

THE APPLICATION AND TARIFF POSITION

1. The Commission considered an application from Libra Bathrooms (Pty) Ltd, for the creation of a rebate provision on “other plates, sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated, supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware of plastics classifiable in tariff heading 39.22.
2. As reasons for the application, the applicant stated the following:
 - 1) There are no local manufacturers of the subject product, since the manufacturer, Perspex SA (Pty) Ltd, ceased production in 2012.
 - 2) The import duty of 10% *ad valorem* on the main raw material makes it very difficult to compete with low priced imports from East Asia, which are gaining substantial market share; and
 - 3) Libra Bathrooms has made annual losses for the past years. Huge investment and jobs are at risk if Libra Bathrooms continues to be unprofitable.
3. The application was published on 22 November 2013 in the Government Gazette for a period of four (4) weeks, for comments by interested parties as follows:

Application for a creation of rebate of full duty on:

“Other plates, sheet, film, foil and strips of poly(methyl methacrylate) non-cellular and not reinforced, laminated, supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware, of plastics classifiable in tariff heading 39.22”.

4. The current tariff structure of the input material i.e. acrylic sheet, is as follows:

Table 1: Tariff position of the acrylic sheet

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
39.20		Other plates, sheet, film, foil and strips of non-cellular and not reinforced, laminated supported or similar combined with other materials:					
3920.5		Of acrylic polymers:					
	3920.51	Of poly(methyl methacrylate)	Kg	10%	Free	5%	Free

Source: SARS 2012

5. The current tariff structure of the final product i.e. bath tubs, is as follows:

Table 2: Tariff position of bath tubs

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
39.22		Baths, shower-baths, sinks, wash-basins, bidets, lavatory pans, seats and covers, flushing cisterns and similar sanitary ware, of plastics:					
	3922.10	Baths, shower-baths, sinks and wash-basins	Kg	20%	Free	7,6%	Free

Source: SARS 2012

INDUSTRY AND THE MARKET

6. The subject product serves as an input in the manufacturing of acrylic baths tubs, sinks and shower trays and washing basins. The finished products are mostly used for household purposes and commercial purposes (i.e. guest houses, hotels, etc).
7. Sphinx Acrylic Bathroom Ware t/a Betta Sanitary Ware and Libra Bathrooms (Pty) Ltd are the two companies in South Africa that utilize the subject product in the manufacturing of their end products. Over the years, companies using acrylic sheets to manufacture the end products have either closed down or have been acquired by other companies owing to financial losses or for strategic reasons.
8. It has been found that Perspex South Africa (Pty) Ltd, ceased manufacturing of the subject product in March 2012. Increased import competition and price uncompetitiveness were cited as the major reasons for the closure.
9. E-Nox trading as Xtruded Polymer Solution (Pty) Ltd, a subsidiary of Perspex South Africa (Pty) Ltd has been identified as a manufacturer of Acrylonitrile Butadiene Styrene (ABS), High Density Polyethylene (HDPE) and Polypropylene Sheet (PP) for the printing, vacuum forming, signal fabrication and sanitary ware industries. Since ABS has similar physical characteristics as the subject product and is classifiable under the same tariff subheading, and also used in the manufacturing of sanitary ware, it can be regarded as a substitute for the subject product, i.e. acrylic sheets.

COMMENTS RECEIVED

10. Comments objecting to the application were received from Perspex SA (Pty) Ltd, the previous manufacturer of the subject product. It indicated that the removal of duty would negatively affect the business of their sister company, E-Nox t/a Xtruded Polymer Solution which manufactures a substitute product.

11. Comments supporting the application were received from Sphinx Acrylic Bathroom Ware t/a Betta Sanitary Ware and also the Ministry of Trade and Industry in the Republic of Botswana. These comments centred on the fact that there is no local manufacturer of the subject product in SACU and that acrylic sheet serves as an important input cost in the manufacturing of sanitary ware.

FINDINGS

12. The Commission found that acrylic sheet is no longer manufactured in SACU. The last remaining manufacturer, Perspex South Africa (Pty) Ltd, ceased its operations in 2012.
13. However, it was found that there is a local manufacturer of a suitable substitute product. The creation of a rebate provision on acrylic sheets would erode the support and encouragement to the industry manufacturing the substitute product, adversely affecting investment and employment opportunities in the industry.

RECOMMENDATION

In light of the foregoing, the Commission recommended that the application for creation of a rebate provision on "other plates, sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated, supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware, of plastics classifiable in tariff heading 39.22", be rejected.