

REPORT NO. 443

**REDUCTION IN THE RATE OF DUTY ON
LAMINATES OF PHENOLIC RESIN WITH A BASIS
OF PAPER**

The International Trade Administration Commission (ITAC) of South Africa herewith presents Report No. 443: **Reduction in the duty on laminates of phenolic resin with a basis of paper.**



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Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

.....05/09/2013

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION
OF SOUTH AFRICA

REPORT NO. 443

REDUCTION IN THE DUTY ON LAMINATES OF PHENOLIC
RESIN WITH A BASIS OF PAPER

Synopsis

F X Veneers CC, applied for a reduction in the rate of customs duty on laminates of phenolic resin with a basis of paper, classifiable under tariff subheading 3921.90.05.

The Commission considered the application in the light of the information at its disposal. It found that the products concerned are not manufactured in the SACU and that the existing duty has an unnecessary cost- raising effect.

The Commission recommends that the duty on laminates of phenolic resins with a basis of paper, thermosetting, classifiable under tariff subheading 3921.90.05 be reduced from 10 per cent *ad valorem* to free of duty.

THE APPLICATION AND TARIFF POSITION

F X Veneers CC, applied for a reduction in the rate of customs duty on laminates of phenolic resin with a basis of paper, classifiable under tariff subheading 3921.90.05 from 10% *ad valorem* to free of duty.

As reasons for the application, the applicant stated the following:

"P G Bison, the only decorative high-pressure laminate plant in South Africa owned by P G Bison, closed its doors with a loss of almost 200 jobs. Subsequently, these products need to be imported from around the world – mainly from Europe, China, India, Turkey and the Middle East.

The total market requirement is currently being imported; it is unlikely that this product will again be manufactured in the SACU due to the high capital cost, the small domestic market, the volatility of the Rand, import parity pricing of raw materials; and the high cost of inputs such as energy, labour, rent etc."

The application was published in the Government Gazette of 24 May 2013 as follows:

Reduction in the duty on:

Laminates of phenolic resins with a basis of paper, classifiable in tariff subheading 3921.90.05, from 10 per cent to free of duty, by the creation of a new 8-digit subheading under 3921.90 for laminates of phenolic resins with a basis of paper, thermosetting.

THE TARIFF POSITION

The product concerned is imported under tariff subheading 3921.90.05. The tariff position for this product is shown in Table 1 below.

Table 1: Tariff structure of laminates of phenolic resins

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EU	EFTA	SADC
3921		Other plates sheets, film, foil and strip, of plastics					
	3921.90.05	Laminates of phenolic resins with a basis of paper or textile fibre, thermosetting	kg	10%	free	free	free

Source: SARS

INDUSTRY AND MARKET

The F X Group has three manufacturing operations and thirteen warehouse and distribution centres in the SACU.

The group is focused on the manufacture, distribution and sales of wood-based panel products, as well as the sales of hardware, adhesives, services and decorative high-pressure laminates.

High-pressure laminates are mainly imported from EU member countries such as Germany, Austria, Portugal, Spain and the UK, while imports from India have also increased considerably.

The value of imports under tariff subheading 3921.90.05 increased from R 39 477 203 in 2010 to R 129 645 373 in 2012. It should be noted that the import figures include laminates with a basis of textile fibre (not the subject of this application).

COMMENTS ON THE APPLICATION

The Ministry of Trade and Industry of Botswana supported the reduction of the duty on high-pressure laminates.

The South African Wood and Laminate Flooring Association objected to the application indicating that there currently is no manufacturer of laminated flooring in the SACU and that imports are mainly from the EU at free of duty. It argued that a reduction in the duty on high-pressure laminates could result in similar applications for a reduction in the general rate of duty on laminated flooring which in its words “would compromise the quality standards in the industry”.

FINDINGS

The Commission considered the comments received in the light of the information at its disposal and its customs tariff policy in terms of which tariff applications are considered on a case-by-case basis taking into account the circumstances of each industry. In this particular case, it found that the products concerned are not manufactured in the SACU and that the existing duty has an unnecessary cost-raising effect.

RECOMMENDATION

The Commission recommends that the duty on laminates of phenolic resins with a basis of paper, thermosetting, classifiable under tariff subheading 3921.90.05 be reduced from 10 per cent *ad valorem* to free of duty.

[443/2013]