

REPORT NO. 431

**CREATION OF A REBATE PROVISION FOR ALUMINIUM SLUGS FOR IMPACT
EXTRUSION USED IN THE MANUFACTURE OF AEROSOL CANS**

The International Trade Administration Commission of South Africa herewith presents its Report No. 431: **creation of a rebate provision for aluminium slugs for impact extrusion used in the manufacture of aerosol cans**, with recommendations.



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

.....28 / 05 / 2013

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 431

CREATION OF A REBATE PROVISION FOR ALUMINIUM SLUGS FOR IMPACT EXTRUSION USED IN THE MANUFACTURE OF AEROSOL CANS

Synopsis

The Commission considered the creation of a rebate provision for aluminium slugs for impact extrusion used in the manufacture of aerosol cans.

The Commission found that, currently, aluminium slugs for impact extrusion are not manufactured domestically and that the duty is an onerous burden on the aerosol can manufacturing industry in the face of stiff foreign competition, especially from East Asia that has significantly eroded its market share.

The industry manufacturing aerosol cans experiences price disadvantages vis-à-vis foreign producers. The rebate provision recommended below, which will be reviewed for possible withdrawal when the domestic manufacture of aluminium slugs for impact extrusion commences, would improve the price competitive position of the local industry manufacturing aerosol cans, lead to further investment in this industry, with a concomitant increase in employment opportunities, and enable the industry to utilise its existing production capacity and achieve economies of scale.

The Commission recommends the creation of a rebate of duty facility for slugs for impact extrusion, of aluminium, classifiable in tariff subheading 7616.99.30 for the manufacture of aluminium aerosol cans of a capacity not exceeding 500 ml, classifiable in tariff subheading 7612.90.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit.

Introduction

1. The Commission considered an application from Divfood, a division of Nampak Product Limited, for a reduction in the general rate of customs duty on aluminium slugs for impact extrusion classifiable under tariff subheading 7616.99.30, from 10% *ad valorem* to free of duty. The slugs are used for the manufacture of aerosol cans.
2. However, the Commission could not support this application. It was found that a project for the erection of an aluminium slug manufacturing plant, with a production capacity to meet the full SACU market requirements, was being planned in the Richards Bay Industrial Development Zone.
3. Instead, the Commission proceeded with a rebate of duty application to provide interim tariff relief to the applicant, prior to the commencement of the domestic manufacture of aluminium slugs.
4. The proposed rebate provision was published on 22 February 2013 in the Government Gazette as follows:

Creation of a rebate of customs duty provision on:

“Slugs for impact extrusion, of aluminium, classifiable in tariff subheading 7616.99.30 for the manufacture of aluminium aerosol cans of a capacity not exceeding 500 ml, classifiable in tariff subheading 7612.90.40” in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit.

The tariff position

5. The existing tariff position for aluminium slugs for impact extrusion, is as follows;

Table 1: Tariff structure of aluminium slugs

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
76.16		Other articles of aluminium:					
	7616.99	Other:					
	7616.99.10	Venetian blinds	Kg	10%	FREE	FREE	FREE
	7616.99.20	Steps and Ladders	Kg	15%	FREE	FREE	FREE
	7616.99.30	Slugs for impact extrusion	Kg	10%	FREE	FREE	FREE
	7616.99.90	Other	Kg	FREE	FREE	FREE	FREE

6. The existing tariff position for the final product (aerosol cans), is as follows;

Table 2: Tariff position for aluminium Aerosol cans

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
76.12		Aluminium casks, drums, cans, boxes and similar containers:(including rigid or collapsible tubular containers), for any material (excluding compressed or liquefied gas), of a capacity not exceeding 300ℓ, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment:					
	7612.10	Collapsible tubular containers					
	7612.90	Other:					
	7612.90.40	Cans of a capacity not exceeding 500ml	Kg	10%	FREE	2.5%	FREE
	7612.90.90	Other	Kg	FREE	FREE	FREE	FREE

The industry and market

7. There are currently no known manufacturers of aluminium slugs in SACU as confirmed by the Aluminium Federation of South Africa. Hulamin Operations (Pty) Ltd indicated that it ceased the production of the subject product in 2001.

8. As shown in the table below, the domestic demand for aluminium slugs, currently fully met by imports, is approximately 3000 tons per annum.

Table 3: Trade statistics aluminium slugs (2009-2012)

TRADE DATA	2010 (kg)	2011 (kg)	2012(kg)
Total Import volume	2 424 356	3 329 746	2 417 546
Total Import value	62 128 147	95 417 799	64 562 603

9. Mthojeni Trading (Pty) Ltd plans to establish an aluminium plant in the Richards Bay Industrial Development Zone with the production capacity of 12 000 tons per annum for completion by mid-2014.

10. The applicant is the sole domestic manufacturer of aerosol cans with a SACU market share of 62%. Despite rapid growth in the SACU market, the applicant's market share has declined since 2009.

Comments received

11. The application attracted no objections.

12. Mthojeni Trading (Pty) Ltd supported the proposed rebate provision as it would enable the local manufacturer of aerosol cans to beat back foreign competition which would benefit Mthojeni through an increased demand for slugs prior to the commissioning of the prospective slug manufacturing facility.

Findings

13. The Commission found that, currently, aluminium slugs for impact extrusion are not manufactured domestically and that the duty is an onerous burden on the aerosol can manufacturing industry, in the face of stiff foreign competition, especially from East Asia, that has significantly eroded its market share.

14. The industry manufacturing aerosol cans experiences price disadvantages vis-à-vis foreign producers. The rebate provision recommended below, which will

be reviewed for possible withdrawal when the domestic manufacture of aluminium slugs for impact extrusion commences, would improve the price competitive position of the local industry manufacturing aerosol cans, lead to further investment in this industry, with a concomitant increase in employment opportunities, and enable the industry to utilise its existing production capacity and achieve economies of scale.

Recommendation

15. In light of the foregoing, the Commission recommends the creation of a rebate of duty facility for slugs for impact extrusion, of aluminium, classifiable in tariff subheading 7616.99.30 for the manufacture of aluminium aerosol cans of a capacity not exceeding 500 ml, classifiable in tariff subheading 7612.90.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit.