

REPORT NO. 434

Amendment of rebate item 311.40/5208.4/01.05 by inclusion of boxer shorts as part of the manufactured products, classifiable under tariff headings 62.07 and 62.08.

The International Trade Administration Commission of South Africa herewith presents its Report No.434: **Amendment of rebate item 311.40/5208.4/01.05 by inclusion of boxer shorts as part of the manufactured products, classifiable under tariff headings 62.07 and 62.08.**



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Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

.....10.....06...../2013

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 434

Amendment of rebate item 311.40/5208.4/01.05 by inclusion of boxer shorts as part of the manufactured products, classifiable under tariff headings 62.07 and 62.08.

SYNOPSIS

Ninian & Lester (Pty) Ltd, applied for the inclusion of boxer shorts classifiable under tariff headings 62.07 and 62.08, under rebate item 311.40/5208.4/01.05 as part of the manufactured products qualifying under this rebate provision. The rebate provision provides for a rebate of the full duty on woven fabrics, to enable clothing manufacturers to import intermediate inputs that are not locally produced, at free of duty.

The Commission found that the fabric used for the manufacturing of boxer shorts is not manufactured in the SACU.

The Commission also found that the existing duty on the fabric in question is an onerous burden on the industry manufacturing boxer shorts and that, given the duty, cost disadvantages are experienced vis-à-vis foreign producers of boxer shorts.

The amended rebate provision will improve the price competitive position of the domestic industry manufacturing boxer shorts and lead to future investment and employment opportunities in the industry.

1. THE APPLICATION AND TARIFF POSITION

- 1.1. Ninian & Lester (Pty) Ltd, applied for the inclusion of boxer shorts classifiable under tariff headings 62.07 and 62.08, under rebate item 311.40/5208.4/01.05 as part of the manufactured products qualifying under this rebate provision. The rebate provision provides for a rebate of the full duty on woven fabrics, to enable clothing manufacturers to import intermediate inputs that are not locally produced, at free of duty.
- 1.2. Rebate item 311.40/52.08.4/01.05 provides for rebate of full duty on woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass not exceeding 200g/m², of yarns of different colours, for the manufacture of men's or boy's shirts and women's or girl's blouses, shirts and shirt-blouses classifiable under tariff headings 62.05 and 62.06.

1.3. The applicant is involved in the manufacturing and distribution of textiles and clothing products and has the exclusive rights to manufacture and distribute the Jockey brand in South Africa and all sub-Saharan countries.

1.4. As reasons for the application, the applicant stated that:

- The current rebate provision does not allow for the fabric to be imported duty free for the manufacturing of products, other than those specified under the existing provision;
- Currently, the boxer shorts are imported as a finished product from China, and it would like to manufacture the product locally in order to be more flexible in responding to market requirements; and
- If boxer shorts are not included as eligible items under the current rebate provision, the applicant would have to continue importing the finished garment.

1.5. **The tariff structure for boxer shorts reads as follows:**

Tariff sub heading	Tariff subheading	Description	Stat Unit	Rates of duty			
				General	EU	EFTA	SADC
62.07		Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles					
	6207.1	Underpants and briefs					
	6207.11	Of cotton	u	45%	20%	20%	Free
	6207.19	Of other textile material	u	45%	20%	20%	Free
	6207.2	Nightshirt and pyjamas					
	6207.21	Of Cotton	u	40%	20%	20%	Free
	6607.22	Of man-made fibres	u	40%	20%	20%	Free
	6207.29	Of other textile material	u	40%	20%	20%	Free
	6207.9	Other					
	6207.91	Of cotton	kg	40%	20%	20%	Free
	6207.99	Of other textile material	kg	40%	20%	20%	Free
62.08		Woman's or girls' singlets and other vests, slips, petticoats, briefs, panties nightdresses, pyjamas, negliges, bathrobes, dressing gowns and similar articles					
	6208.1	Slips and petticoats					
	6208.11	Of man-made fibres	u	40%	20%	20%	Free
	6208.19	Of other textile material	u	40%	20%	20%	Free

	6208.2	Nightdresses and pyjamas					
	6208.21	Of cotton	u	40%	20%	20%	Free
	6208.22	Of ma-made fibres	u	40%	20%	20%	Free
	6208.29	Of other textile material	u	40%	20%	20%	Free
	6208.9	Other					
	6208.91	Of cotton	kg	40%	20%	20%	Free
	6208.92	Of man-made fibres	kg	40%	20%	20%	Free
	6208.99	Of other textile material	kg	40%	20%	20%	Free

- 1.6. The application was published in the Government Gazette on 22 February 2013 for comments by interested parties as follows:

AMENDMENT TO THE DESCRIPTION OF REBATE ITEM 311.40/5208.4/01.05

“Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass not exceeding 200g/m², of yarns of different colours, for the manufacture of men’s or boy’s shirts classifiable in tariff heading 62.05, women’s or girl’s blouses, shirts and shirt-blouses classifiable in tariff heading 62.06 **and boxer-shorts classifiable in tariff headings 62.07 and 62.08**”.

2. INDUSTRY AND MARKET

- 2.1. Boxer shorts are a type of undergarment typically worn by men. In many instances, shorts or boxer shorts are used interchangeably as either sleepwear or underwear. Due to developments in manufacturing and style of garments, companies have ventured into manufacturing boxer shorts for women, which are mostly used as sleepwear by women.
- 2.2. Various fabrics, including all cotton, cotton/polyester blends, jersey knits and silk are used for the manufacturing of boxer shorts. The most common sewing design of boxer shorts is made with a panel seat that has two seams running on the outer edges of the back seating area, creating a centre rear panel. Most mass produced commercial boxer shorts are made using this design.
- 2.4. The annual SACU market for boxer shorts is currently estimated at approximately 800 000 units, of which the applicant has a considerable share. Should the domestic manufacturing be successful, the applicant’s market share would increase significantly.

3. COMPETITIVE POSITION

- 3.1. Information at the Commission’s disposal indicates that woven fabrics classifiable under tariff heading 52.08, for the manufacturing of boxer shorts are not available domestically.
- 3.2. The information indicated that it is not profitable enough to manufacture boxer shorts from imported fabrics subject to a duty. However the total cost of manufacturing boxer

shorts domestically with rebated fabric is lower than the cost of importing the full garment.

4. COMMENTS ON THE APPLICATION

- 4.1. The Apparel Manufacturers of South Africa, the South African Clothing and Textiles Workers Union (SACTWU), and the Natal Clothing Manufacturers Association supported the application. No objections were received.

5. FINDINGS

- 5.1. The Commission found that the fabric used for the manufacturing of boxer shorts is not manufactured in the SACU.
- 5.2. The Commission also found that the existing duty on the fabric in question is an onerous burden on the industry manufacturing boxer shorts and that, given the duty, cost disadvantages are experienced vis-à-vis foreign producers of boxer shorts.
- 5.3. The amended rebate provision recommended below will improve the price competitive position of the domestic industry manufacturing boxer shorts and lead to future investment and employment opportunities in the industry.

6. RECOMMENDATION

- 6.1. In the light of the foregoing, the Commission recommends that the description of rebate provision 311.40/5208.4/01.05 be amended as follows:

Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass not exceeding 200g/m², of yarns of different colours, for the manufacture of men's or boy's shirts classifiable in tariff heading 62.05, women's or girl's blouses, shirts and shirt-blouses classifiable in tariff heading 62.06 **and boxer-shorts classifiable in tariff headings 62.07 and 62.08.**

[06/2013]