

REPORT NO. 447

**APPLICATION FOR CREATION OF A REBATE PROVISION FOR NON-LINEAR
GLASS TUBES USED FOR THE MANUFACTURE OF COMPACT
FLUORESCENT LAMPS AND THE AMENDMENT TO REBATE ITEM
316.08/8504.10/01.06 CHANGING THE MINIMUM POWER RATING OF
ELECTRONIC BALLASTS FOR THE MANUFACTURE OF COMPACT
FLUORESCENT LAMPS FROM 8W TO 5W**

The International Trade Administration Commission of South Africa herewith presents its Report No. 447: **Application for the creation of a rebate provision for non-linear glass tubes used for the manufacture of compact fluorescent lamps and the amendment to rebate item 316.08/8504.10/01.06 changing the minimum power rating of electronic ballasts for the manufacture of compact fluorescent lamps from 8W to 5W, with recommendations.**



.....
SIYABULELA TSENGIWE
CHIEF COMMISSIONER

07 / 11 / 2013

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 447

CREATION OF A REBATE PROVISION FOR NON-LINEAR GLASS TUBES USED IN THE MANUFACTURING OF COMPACT FLUORESCENT LAMPS AND THE AMENDMENT OF REBATE ITEM 316.08/8504.10/01.06 TO CHANGE THE MINIMUM POWER RATING OF ELECTRONIC BALLASTS FOR THE MANUFACTURE OF COMPACT FLUORESCENT LAMPS FROM 8W TO 5W

SYPNOSIS

The Commission considered an application for the creation of a rebate provision for non-linear glass tubes equipped with mountings and leading-in wires, classifiable under tariff subheading 8539.90 at 15% *ad valorem*, used for the manufacture of compact fluorescent lamps (CFLs), as well as an application for the amendment of rebate item 316.08/8504.10/01.06 to change the minimum power rating of electronic ballasts for the manufacture of CFLs from 8W to 5W.

The Commission found justification for an amendment to rebate item 316.08/8504.10/01.06 to include electronic ballasts with a power rating between 5W and 8W for the manufacture of CFLs, as these electronic ballasts are not manufactured domestically. However the Commission could find no justification for the creation of a rebate provision for non-linear glass tubes equipped with mountings and leading-in wires, for the manufacture of CFLs, as these products are manufactured domestically.

In light of the foregoing, the Commission recommends that the description of rebate item 316.08/8504.10/01.06 be amended as follows:

“Electronic ballasts, for the manufacture of fluorescent discharge lamps (excluding ultra-violet lamps) of tariff subheading 8539.31.90, with a power rating of 5W or more but not exceeding 23W”

The Commission further recommends that the application for the creation of a rebate provision for non-linear glass tubes equipped with mountings and leading-in wires, classifiable in tariff heading 8539.90, for the manufacture of CFLs classifiable in tariff subheading 8539.31.90, be rejected.

THE APPLICATION AND TARIFF POSITION

1. The Commission considered an application by Eveready (Pty) Ltd, for the creation of a rebate provision for non-linear glass tubes equipped with mountings and leading-in wires, classifiable in tariff subheading 8539.90, used for the manufacture of CFLs and an amendment to rebate item 316.08/8504.10/01.06 changing the minimum power rating of electronic ballasts for the manufacture of CFLs from 8W to 5W.
2. As reason for the application, the applicant stated that it assembles CFLs in small quantities in its factory in Port Elizabeth and that the creation of a rebate provision would enable it to competitively assemble the final product instead of importing it.
3. The application was published on 19 July 2013 in the Government Gazette as follows:

Creation of a rebate provision for:

"Non-linear glass tubes (envelopes) equipped with mountings and leading-in wires, classifiable in tariff heading 85.39, for the manufacture of compact fluorescent lamps (CFL) classifiable in tariff subheading 8539.31.90."

Amendment of rebate item 316.08/8504.10/01.06 to change the minimum power rating from 8W to 5W as follows:

"Electronic ballasts, for the manufacture of fluorescent discharge lamps (excluding ultra-violet lamps) of tariff subheading 8539.31.90, with a power rating of 5W or more but not exceeding 23W."

4. The existing tariff position for non-linear glass tubes is as follows;

Table 1: Tariff structure for non-linear glass tubes

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
85.39		Electric filament or discharge lamps, including sealed beam lamp units and ultra-violet or infra-red lamps; arc-lamps:					
	8539.90	Parts	kg	15%	Free	3%	Free

5. The existing tariff position for the final product (CFLs), is as follows;

Table 2: Tariff position for CFLs

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
85.39		Electric filament or discharge lamps, including sealed beam lamp units and ultra-violet or infra-red lamps; arc-lamps:					
	8539.3	Discharge lamps (excluding ultra-violet lamps):					
	8539.31	Fluorescent, hot cathode:					
	8539.31.90	Other	kg	15%	Free	3%	Free

6. Rebate item 316.08/8504.10/01.06 is structured as follows:

Table 3: Current rebate

Rebate Item	Tariff Heading	Rebate Code	CD	Description	Extent of Rebate
316.08	8504.10	01.06	69	Electronic ballasts, for the manufacture of fluorescent discharge lamps (excluding ultra-violet lamps) of tariff subheading 8539.31.90, with a power rating of 8W or more but not exceeding 23W	Full duty

INDUSTRY AND THE MARKET

7. Philips Lighting Southern Africa (Pty) Ltd (Philips) manufactures CFLs in Lesotho. The company's manufacturing process involves considerably more value-addition than that of the applicant as it imports linear glass tubes without electrical components under tariff subheading 7011.10 (glass envelopes for

electric lighting) and converts them into non-linear glass tubes for the manufacture of CFLs.

8. South Africa is a net importer of CFLs. Over the period 2010 to 2012 import volumes increased significantly from 22 million units to 31 million units. Exports are insignificant. The current SACU market size is estimated at close to 50 million units per annum.

COMMENTS RECEIVED

9. Philips supported the application for the amendment of rebate item 316.08/8504.10/01.06 to include electronic ballasts with a power rating lower than 8W, for the manufacture of CFLs. However, it could not support the application for a rebate provision for non-linear glass tubes equipped with mountings and leading-in wires, for the manufacture of CFLs, as it produces these products at its plant in Lesotho.

FINDINGS

10. The Commission found justification for an amendment to rebate item 316.08/8504.10/01.06 to include electronic ballasts with a power rating between 5W and 8W for the manufacture of CFLs, as these electronic ballasts are not manufactured domestically. However the Commission could find no justification for the creation of a rebate provision for non-linear glass tubes equipped with mountings and leading-in wires for the manufacture of CFLs, as these products are manufactured domestically.

RECOMMENDATION

11. In light of the foregoing, the Commission recommends that the description of rebate item 316.08/8504.10/01.06 be amended as follows:

“Electronic ballasts, for the manufacture of fluorescent discharge lamps (excluding ultra-violet lamps) of tariff subheading 8539.31.90, with a power rating of 5W or more but not exceeding 23W”

12. The Commission further recommends that the application for the creation of a rebate provision for non-linear glass tubes equipped with mountings and leading-in wires, classifiable in tariff heading 8539.90, for the manufacture of compact fluorescent lamps (CFL) classifiable in tariff subheading 8539.31.90, be rejected.