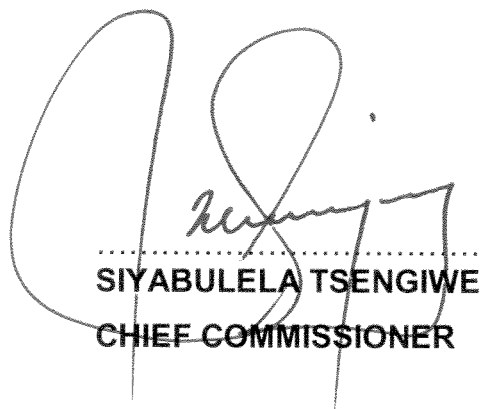


REPORT NO. 477

**INCREASE IN THE RATE OF DUTY ON WIRE OF IRON OR NON-ALLOY STEEL:
PLATED OR COATED WITH OTHER BASE METALS**

The International Trade Administration Commission of South Africa herewith presents its Report No. 477: **INCREASE IN THE RATE OF CUSTOMS DUTY ON WIRE OF IRON OR NON-ALLOY STEEL: PLATED OR COATED WITH OTHER BASE METALS**, with recommendations.



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

11.1.07/2014

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 477

**INCREASE IN THE RATE OF CUSTOMS DUTY ON WIRE OF IRON OR NON-
ALLOY STEEL PLATED OR COATED WITH OTHER BASE METALS**

Synopsis

Natstan Wire (Pty) Ltd, applied for an increase in the rate of customs duty on wire of iron or non-alloy steel plated or coated with other base metals, classifiable under tariff subheading 7217.30, from free of duty to the WTO bound rate of 10% *ad valorem*.

The Commission considered the application in light of the information at its disposal.

The Commission found that tariff support for the domestic industry manufacturing beadwire would improve its competitive position without an undue cost raising impact on the downstream industry and would enable it to utilise its installed production capacity and achieve economies of scale. Following the tariff support, the Commission will conduct a review of the duty structure, to determine its impact on the industry value chain, three (3) years from the date of implementation.

The Commission recommended that the rate of customs duty on wire of iron or non-alloy steel plated or coated with other base metals be increased from free of duty to 10% *ad valorem*.

THE APPLICATION AND TARIFF POSITION

1. Natstan Wire (Pty) Ltd, situated in the Uitenhage industrial area in the Eastern Cape, applied for an increase in the rate of customs duty on wire of iron or non-alloy steel plated or coated with other base metals, classifiable under

tariff subheading 7217.30, from free of duty to the WTO bound rate of 10% *ad valorem*.

2. The subject product is used for the reinforcement of virtually all types of new pneumatic tyres such as those for trucks, buses, cars, motorcycles etc.
3. As reasons for the application, the applicant stated the following:
 - Since the import duties on wire products were removed, the domestic industry has lost substantial business due to the low landed price of competing imported products;
 - The South African tyre manufacturers in general do their purchasing via a centralised purchasing office which is based overseas. Decisions to purchase are based purely on the lowest price; and
 - International suppliers now offer 90 days payment terms as well as 30 days consignment stock. This means there is little risk or cost associated with imported goods.
4. The application was published in the Government Gazette for comments by interested parties, as follows:

Increase in the rate of customs duty on:

“Wire of iron or non-alloy steel plated or coated with other base metals classifiable under tariff subheading 7217.30, from free of duty to 10% *ad valorem*.”

5. The tariff structure for the subject product is as follows:

Table 1: Current tariff structure

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty			
				General	EU	EFTA	SADC
72.17		Wire of iron or non-alloy steel:					
	7217.30	Plated or coated with other base metals	Kg	Free	Free	Free	Free

6. The WTO bound rate is 10% ad valorem.

INDUSTRY AND MARKET

7. The product manufactured by the applicant is copper/bronze coated wire commonly referred to as beadwire. The essential feature of beadwire is to get a proper grip of the tyre on the rim.

8. The major input material used in the manufacture of beadwire is steel rod, which constitutes between 54% and 68% of the ex-factory price. All input materials used in the manufacture of the subject product are sourced locally.

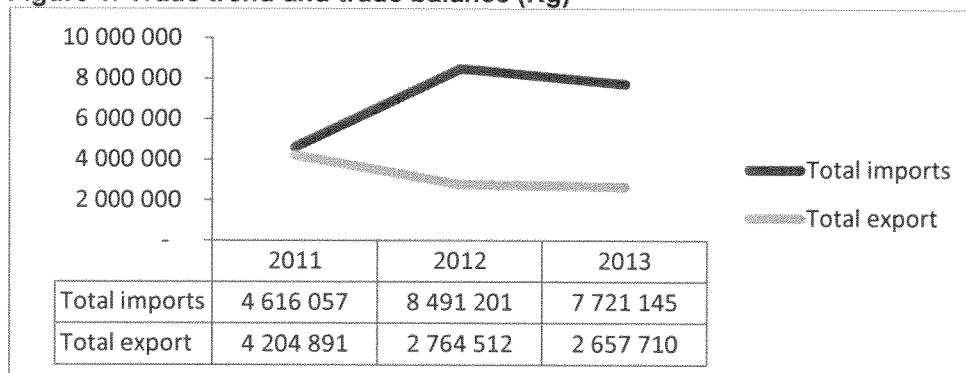
9. In the manufacturing process the steel rod is first reduced in diameter from 5.5mm to 3.5mm. The wire is then heat-treated through a furnace to normalise the metallurgical structure before it is further reduced in diameter to the final size (0.89-1.83mm). Lastly, the wire is stress-relieved, and then bronze-plated to give it specific rubber adhesion properties before it is packed and shipped to the customer.

10. The applicant is an approved supplier of beadwire to Continental (Pty) Ltd, Goodyear (Pty) Ltd, Apollo (Pty) Ltd and Sumitomo Rubber South Africa (Pty) Ltd.

11. Currently the applicant is the only manufacturer of the subject product in the SACU region. In 2011, Haggie Rand (Scaw Metals Group) ceased the manufacturing of the subject product due to cheap imports.

12. The subject product constitutes a significant proportion of the products classifiable under tariff subheading 7217.30. The official SARS trade statistics for this tariff subheading are shown hereunder:

Figure 1: Trade trend and trade balance (Kg)



13. Following an increase in imports of the subject product, the domestic industry's production volume, market share and employment declined, and as mentioned, one domestic manufacturer ceased manufacturing of the subject product.

COMPETITIVE POSITION

14. According to the information at the Commission's disposal, the applicant experiences price disadvantages vis-à-vis foreign manufacturers of the subject product.

COMMENTS RECEIVED

15. Comments objecting to the application were received from the South Africa Tyre Manufacturers Conference (Pty) Ltd, Bridgestone South Africa (Pty) Ltd and Sumitomo Rubber South Africa (Pty) Ltd. The objections centred on issues relating to the perceived cost-raising impact of the customs duty on the tyre manufacturers. Support for the application was received from the South African Wire Association (SAWA).

FINDINGS

16. The Commission considered the application in light of the information at its disposal. In particular, the Commission took the following factors into account:

- The increase in the level of imports, and the concomitant erosion of the market share of the SACU producer of beadwire;
- The considerable decline in the level of production, profit, capacity utilisation and employment experienced by the SACU producer; and
- The competitive position of the domestic industry and the price disadvantage experienced vis-à-vis foreign producers.

17. The Commission found that tariff support for the domestic industry manufacturing beadwire would improve its competitive position without an undue cost raising impact on the downstream industry and would enable it to utilise its installed production capacity and achieve economies of scale. Following the tariff support, the Commission will conduct a review of the duty structure, to determine its impact on the industry value chain, three (3) years from the date of implementation.

RECOMMENDATION

18. In light of the foregoing, the Commission recommends that the rate of customs duty on wire of iron or non-alloy steel plated or coated with other base metals classifiable under tariff subheading 7217.30, be increased from free of duty to 10% *ad valorem*.