

REPORT NO: 422

**CREATION OF A REBATE OF DUTY FACILITY FOR
PETROLEUM BITUMEN**

The International Trade Administration Commission of South Africa herewith presents its
Report No. 422: **Creation of a rebate of duty facility for petroleum bitumen.**



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CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 422

CREATION OF A REBATE OF DUTY FACILITY FOR PETROLEUM BITUMEN

Synopsis

The Commission received an application for the creation of a rebate of duty facility for petroleum bitumen classifiable under tariff subheading 2713.20 at a rate of duty of 10 per cent ad valorem.

Petroleum bitumen is a critical material for infrastructure development in the SACU. The Commission found that the importation of petroleum bitumen has significant additional cost implications as it requires expensive specialised equipment and storage facilities. However, the Commission found it prudent at this juncture to recommend a rebate of duty facility, administered by ITAC by way of a permit system, rather than a straight reduction in the duty, thereby balancing the interests of the domestic producers of petroleum bitumen and the industrial users and importers of petroleum bitumen.

Through the permit system, ITAC will carefully monitor the supply and demand conditions as well as the depth and size of the industry involved in this sector, with the aim of launching a review of the recommended rebate and tariff structure three years after implementation.

The Commission therefore recommends the creation of a rebate of duty facility for petroleum bitumen, classifiable in tariff subheading 2713.20, in such quantities, at such times and under such conditions as the International Trade Administration Commission of South Africa (ITAC) may allow by specific permit.

THE APPLICATION

Colas South Africa (Pty) Ltd applied for the creation of a rebate of duty facility for petroleum bitumen classifiable under tariff subheading 2713.20 at a rate of duty of 10 per cent ad valorem.

As reason for the application, the applicant stated that there is a shortage of petroleum bitumen in the SACU.

THE TARIFF POSITION

Table 1: The existing tariff structure for petroleum bitumen is as follows:

Tariff heading	Tariff sub-heading	Description	Statistical Unit	Rate of duty			
				General	EU	EFTA	SADC
27.13		Petroleum coke, petroleum bitumen and other residues of petroleum oils or of oils obtained from bituminous minerals:					
	2713.20	Petroleum Bitumen	Kg	10%	Free	Free	Free

INDUSTRY AND MARKET

There are four refineries in the SACU producing petroleum bitumen, namely ENREF, SAPREF, CHEVRON and NATREF, that have historically refined most petroleum bitumen used in road construction and maintenance in the region. Petroleum bitumen is a by-product of crude oil refining. The current supply shortage amounts to approximately 20 per cent of the SACU demand.

The primary use of petroleum bitumen is in road construction where it is used as the glue or binder mixed with aggregate particles to create asphalt concrete.

Table 2 below reflects the SACU imports of petroleum bitumen from 2009 to 2012.

Table 2: SACU imports of petroleum bitumen

Petroleum bitumen	2009	2010	2011	Jan to Nov 2012
Volumes	152 646 kg	217 888 kg	4 978 243 kg	16 465 517 kg
Values	R1 442 426	R1 685 200	R24 369 248	R76 352 353

The above statistics show that imports of petroleum bitumen in volume and value terms increased significantly since 2009.

COMMENTS ON THE APPLICATION

The application attracted support from various domestic users of petroleum bitumen. No objection to the creation of a rebate facility was received.

FINDINGS

Petroleum bitumen is a critical material for infrastructure development in the SACU. The Commission found that the importation of petroleum bitumen has significant additional cost implications as it requires expensive specialised equipment and storage facilities. However, the Commission found it prudent at this juncture to recommend a rebate of duty facility, administered by ITAC by way of a permit system, rather than a straight reduction in the duty, thereby balancing the interests of the domestic producers of petroleum bitumen and the industry users and importers of petroleum bitumen.

Through the permit system, ITAC will carefully monitor the supply and demand conditions as well as the depth and size of the industry involved in this sector, with the aim of launching a review of the recommended rebate and tariff structure three years after implementation.

RECOMMENDATION

In the light of the foregoing, the Commission recommends the creation of a rebate of duty facility for petroleum bitumen, classifiable in tariff subheading 2713.20, in such quantities, at such times and under such conditions as the International Trade Administration Commission of South Africa (ITAC) may allow by specific permit.

(10/2012)