

REPORT NO. 384

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON WATER SUPPLY
METERS**

The International Trade Administration Commission of South Africa herewith presents its Report No.384: **Increase in the general rate of customs duty on water supply meters**, with recommendations.



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 384

INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON WATER SUPPLY METERS

Synopsis

The Commission considered an application by Elster Kent Metering (Pty) Ltd for an increase in the general rate of customs duty on water supply meters, classifiable under tariff subheading 9028.20, from free of duty to 10% *ad valorem*.

The Commission found that an increase in the rate of customs duty to the moderate WTO bound rate of 10% *ad valorem* on mechanical water supply meters would afford the domestic industry a measure of support in its efforts to meet the challenges of foreign competition and enable it to better utilise its existing production capacity.

The Commission recommended that the general rate of customs duty on mechanical water supply meters designed for the use with piping with an inside diameter not exceeding 40mm be increased from free of duty to 10% *ad valorem*.

INTRODUCTION

1. Elster Kent Metering (Pty) Ltd applied for an increase in the rate of customs duty on water supply meters, classifiable under tariff subheading 9028.20 from free of duty to 10% *ad valorem*.
2. The application was published in the Government Gazette on 23 August 2011 for comments by interested parties as follows:

Increase in the rate of customs duty on:

"Water meters designed for the use with piping with an inside diameter not exceeding 40mm classifiable under tariff subheading 9028.20 from free of duty to 10% ad valorem".

Applicant:

Elster Kent Metering (Pty) Ltd
56 Commando Road
Industria Extension 2
Johannesburg
2093

Reason for the application:

"The penetration of low cost imports into the local market at substantially low prices is undercutting the existing market prices and reducing the market share of local manufacturers".

THE TARIFF POSITION

3. The existing tariff position for water supply meters classifiable under tariff subheading 9828.20 is as follows:

Table 1: Tariff structure of water meters

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
9028		Gas, liquid or electricity supply or production meters, including calibrating meters therefore:					
	9028.20	Liquid meters	Units	Free	Free	Free	Free

4. Tariff subheading 9028.20 covers all types of liquid meters. It includes household supply meters, plant production or supply meters, and standard meters (for checking the accuracy of ordinary meters). In addition to simple meters, the heading also includes special meters such as maximum, prepayment, price-calculating meters, etc.
5. The WTO bound rate for liquid meters is 10% *ad valorem*.

THE INDUSTRY AND MARKET

6. The water meter industry comprises a number of manufacturing and importing firms, namely: Elster Kent Metering (Pty) Ltd, Sensus South Africa (Pty) Ltd, Precision Meters & Valves (Pty) Ltd, PPD Engineering (Pty) Ltd, AquaLoc South Africa (Pty) Ltd, Itron Measurement and Systems (Pty) Ltd, and Teqnov (Pty) Ltd.
7. The local manufacturers include Elster Kent Metering (Pty) Ltd and Teqnov (Pty) Ltd, while others, such as Sensus South Africa (Pty) Ltd, both manufacture and import water meters.
8. The SACU market size is estimated at approximately between 600 000 and 700 000 units per annum, and has remained fairly stable over the past three years. Approximately 20% of the domestic market is served by imports.

9. The market demand in the SACU is mainly driven by construction and housing projects. The South African government, in particular local government, is an important customer of the water meter industry.
10. The manufacturing of water supply meters is linked in the value chain to the domestic upstream tooling and plastic moulding industry.

COMMENTS ON THE APPLICATION

11. Comments supporting the increase in the customs duty on water supply meters were received from Convertek (Pty) Ltd (Convertek) and Teqnovo (Pty) Ltd. Objections were received from Hydrometrix Technologies (Pty) Ltd, Sensus South Africa (Pty) Ltd, Precision Meters and Valves (Pty) Ltd, and Itron Measurement and Systems (Pty) Ltd.
12. Convertek (Pty) Ltd supported the application and stated that the 10% *ad valorem* duty would assist and retain employment within the tooling industry given its forward linkages with the water meter industry. Similarly, Teqnovo (Pty) Ltd stated that the duty would support the domestic water meter manufacturing industry.
13. Hydrometrix Technologies (Pty) Ltd objected to the application stating that the imposition of a blanket 10% customs duty on all imported water meters would discriminate against those meter suppliers who deliver a small quantity of high quality meters for specialised applications. Most electronic water meters fall under tariff subheading 9028.20 and these types of meters are not manufactured locally. This firm requested that the proposed tariff description be changed to differentiate between mechanical and electronic water meters as the latter types are not manufactured domestically.
14. Sensus South Africa (Pty) Ltd and Itron Measurement and Systems (Pty) Ltd objected to the application and indicated that the non-tariff trade metrology barriers in place are sufficient to protect against low-cost imports.
15. Precision Meters and Valves (Pty) Ltd also objected to the application stating that the increase in the rate of customs duty on water meters would impact negatively on the smaller firms in the industry, resulting in increased costs to the users of water meters.

FINDINGS

16. As enunciated in the Industrial Policy Action Plan (IPAP 2), the public sector infrastructure programme (including water reticulation infrastructure) presents an ideal opportunity to stimulate the domestic manufacturing sector.
17. The Commission noted the concerns raised in IPAP 2 that a lack of long-term procurement planning by state-owned enterprises could undermine domestic manufacturing and associated investments.

18. The Commission concurs with IPAP 2 and found that the application for an increase in the rate of customs duty on water meters has considerable merits, especially in light of the competitive position of the applicant in the face of fierce foreign competition. It was found that the applicant is experiencing significant price disadvantages vis-à-vis foreign manufacturers of mechanical water supply meters.
19. The Commission concluded that an increase in the rate of customs duty to the moderate WTO bound rate of 10% *ad valorem* on mechanical water supply meters would afford the domestic industry a measure of support in its efforts to meet the challenges of foreign competition and enable it to better utilise its existing production capacity.
20. The Commission found that electronic water meters are not manufactured domestically and that these meters be excluded from the recommendation below.

RECOMMENDATION

21. In light of the foregoing, the Commission recommends that the general rate of customs duty on mechanical water supply meters designed for the use with piping with an inside diameter not exceeding 40mm, be increased from free of duty to 10% *ad valorem*.