

**REPORT NO. 331**

**REVIEW OF THE CUSTOMS DUTY ON LIQUEFIED PETROLEUM  
GAS CYLINDERS OF IRON OR STEEL**

The International Trade Administration Commission herewith presents its Report No. 331: **REVIEW OF THE CUSTOMS DUTY ON LIQUEFIED PETROLEUM GAS CYLINDERS OF IRON OR STEEL**, with recommendations.



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**SIYABULELA TSENGIWE**  
**CHIEF COMMISSIONER**

**PRETORIA**

12-02-2010

# REPUBLIC OF SOUTH AFRICA

## INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

### REPORT NO. 331

#### REVIEW OF THE CUSTOMS DUTY ON LIQUEFIED PETROLEUM GAS CYLINDERS OF IRON OR STEEL

##### Synopsis

ITAC initiated an investigation to review the customs duty of 15% *ad valorem* applicable to liquefied petroleum gas cylinders classifiable under tariff subheading 7311.00.10.

The current general 15% *ad valorem* duty on liquefied gas cylinders was implemented in 2003 when Cadac South Africa applied for a protective duty on these products. The Commission then found that the applicant experienced substantial price disadvantages against increased imports from East Asian countries, and that its market share had declined significantly since 1996. The Commission recommended in its Report No. 1 that the duty structure be reviewed after the expiry of a period of 4 years from the date of recommendation.

The investigation was published in the Government Gazette for comments by interested parties. The Commission considered all comments received in its decision.

The Commission found that there is potential to domestically manufacture cylinders from 1,5 litres up to 114 litres. The Commission therefore recommended that the customs duties applicable to liquefied petroleum gas cylinders with the water capacity of 1,5 litres or more but not exceeding 114 litres classifiable under tariff subheading 7311.00.10 at 15% *ad valorem* be maintained; and that all other gas cylinders be classifiable at free of duty, as these cylinders are unlikely to be manufactured domestically.

##### INTRODUCTION

1. ITAC initiated an investigation for a review of the customs duty of 15% *ad valorem* applicable to liquefied petroleum gas cylinders classifiable under tariff subheading 7311.00.10.
2. The current general rate of duty of 15% *ad valorem* on liquefied gas cylinders was implemented in 2003 when Cadac South Africa applied for a protective duty on these products. The Commission then found that the applicant experienced substantial price disadvantages against increased imports from East Asian countries, and that its market share had declined

significantly since 1996. The Commission recommended in its Report No. 1 that the duty structure be reviewed after the expiry of a period of 4 years from the date of recommendation.

3. The materials and components used for the manufacture of the liquefied gas cylinders are flat rolled products of steel, valves, domes and certain paints. The gas cylinders are used to supply liquid petroleum gas for the leisure, home and industrial markets, mainly for heating or cooking.
4. The relevant application was published in the Government Gazette on 22 August 2008 for comments by interested parties. The Commission considered all the comments received.

### THE TARIFF POSITION

5. The liquefied gas cylinders are classifiable under tariff subheading 7311.00.10 as follows:

Heading	Subheading	Article Description	Rates of Duty			
			General	EU	SADC	EFTA
73.11	7311.00	Containers for compressed or liquefied gas, of iron or steel:				
	7311.00.10	Of a welded construction, indelibly stamped that it has a water capacity of 1,5 litres or more but not exceeding 150 litres, identifiable for use with liquefied petroleum gas	15%	Free	Free	Free
	7311.00.90	Other	Free	Free	Free	Free

6. The liquefied gas cylinders attract a 15 % customs duty but are imported free of duty from the EU, SADC and EFTA regions. The WTO bound rate is 15%.

### THE INDUSTRY AND MARKET

7. There is currently one manufacturer of liquefied petroleum gas cylinders in SACU, namely Pabar (Pty) Ltd. LPG Cylinder Engineering (Pty) Ltd is a prospective manufacturer but is not in operation yet. The main importers are Afrox, Easigas, Total Gas, BP Gas, Howling Moon, Alva Manufacturing (Pty) Ltd, Totali, and Cadac (Pty) Ltd.
8. Mmapho Gas and Energy is a potential new entrant funded by the Industrial Development Corporation (IDC) and plans to manufacture gas cylinders in

the range of 9 kg, 14 kg, 18 kg and 48 kg. The 48 kg cylinder roughly translates to one with a water capacity of 114 litres. This can be regarded as the conversion factor for converting the weight of a cylinder to its water capacity. As the project complies with the metals sector development and beneficiation strategy, the DTI and IDC are in support of duty protection for the industry manufacturing small and medium sized gas cylinders.

9. The smaller liquefied petroleum gas cylinders with a water capacity of 1,5 litres or more but not exceeding 17,1 litres are manufactured in SACU by Pabar (Pty) Ltd. Their market share is 27% [64 000/ 240 000] of the total market in this category and 15% of the entire market i.e. industrial and household categories [64 000/ 435 000].
10. The LPG cylinders with larger water capacity of more than 17,1 litres are currently not manufactured in the SACU region. However, Pabar (Pty) Ltd and LPG Cylinder Engineering (Pty) Ltd have already made the necessary investments for the manufacture of gas cylinders up to 22,7 litres.
11. Pabar (Pty) Ltd and LPG Cylinder Engineering (Pty) Ltd have invested approximately R22 million in their plants, including the investment for the 22,7 litres cylinder project. With regards to employment, 32 people are directly involved in the manufacture of the gas cylinders at the Pabar (Pty) Ltd plant.
12. The Department of Minerals and Energy is currently considering a new regulatory pricing system for liquefied petroleum gas to make gas cheaper to reduce reliance on electricity. If successful, this initiative will boost the demand for gas cylinders in the SACU region.

## COMMENTS ON THE APPLICATION

13. Most of the importers objected to maintaining the existing customs duty, as the remaining domestic manufacturer currently has a small market share and as the duty has a cost-raising effect for household and industrial consumers

## FINDINGS

14. The Commission found that there is potential to domestically manufacture gas cylinders from 1,5 litres up to 114 litres. Increased production and demand would lead to economies of scale for the manufacturers and increased price competitiveness. The Commission therefore recommended that the customs duty applicable to liquefied petroleum gas cylinders with the water capacity of 1,5 litres or more but not exceeding 114 litres classifiable under tariff subheading 7311.00.10 at 15% *ad valorem* be maintained; and that all other gas cylinders be classifiable at free of duty, as these cylinders are unlikely to be manufactured domestically.

## RECOMMENDATION

15. In light of the foregoing, the Commission recommended that:

- The duty applicable to containers for compressed or liquefied gas, of iron or steel of a welded construction, indelibly stamped that they have a water capacity of 1,5 litres or more but not exceeding 114 litres, identifiable for use with liquefied petroleum gas, classifiable under tariff subheading 7311.00.10 at 15 percent *ad valorem* be maintained; and
- All other liquefied petroleum gas cylinders classifiable under tariff subheading 7311.00 be rated at free of duty.

[T5/2/15/2/1(7/2008)]

**NOTES REGARDING AMENDMENTS TO THE SCHEDULES  
TO THE CUSTOMS AND EXCISE ACT, 1964**

**28 MAY 2010**

**These notes are issued merely as a guide and both the old and new provisions should be studied in order to determine what the amendment actually entails. These notes have no legal status.**

<i>Provision</i>	<i>Note</i>
7013.00.20	The effect of this amendment is that a new subheading for containers for compressed or liquified gas, of iron or steel of a welded construction, indelibly stamped that it has a water capacity of 1,5 litres or more but not exceeding 114 litres, identifiable for use with liquefied petroleum gas, has been created.
7013.00.10	The effect of this amendment is that subheading 7013.00.10 for containers for compressed or liquified gas, of iron or steel of a welded construction, indelibly stamped that it has a water capacity of 1,5 litres or more but not exceeding 150 litres, identifiable for use with liquefied petroleum gas, have been deleted.

**Government Gazette No. 33211**

**No. R.436**

**2010-05-28**

**CUSTOMS AND EXCISE ACT, 1964.  
AMENDMENT OF SCHEDULE NO. 1 (No. 1/1/1408)**

In terms of section 48 of the Customs and Excise Act, 1964, Part 1 of Schedule No. 1 to the said Act is hereby amended to the extent set out in the Schedule hereto.

**N NENE  
DEPUTY MINISTER OF FINANCE**

**SCHEDULE**

By the deletion of subheading 7311.00.10:

Heading	Subheading	C D	Article Description	Statistical Unit	Rate of Duty		
					General	EU	EFTA SADC
73.11	7311.00.10	7	- Of a welded construction, indelibly stamped that it has a water capacity of 1,5 litres or more but not exceeding 150 litres, identifiable for use with liquefied petroleum gas	kg	15%	free	free

By the insertion after subheading 7311.00.10 of the following subheading:

Heading	Subheading	C D	Article Description	Statistical Unit	Rate of Duty		
					General	EU	EFTA SADC
73.11	7311.00.20	4	- Of a welded construction, indelibly stamped that it has a water capacity of 1,5 litres or more but not exceeding 114 litres, identifiable for use with liquefied petroleum gas	kg	15%	free	free