



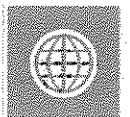
International Trade Administration Commission of South Africa

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REPORT NO: 344

**REBATE OF DUTY ON COMPLEX
PETROLEUM HYDROCARBONS FOR USE
AS PLASTICIZERS IN THE
MANUFACTURE OF SYNTHETIC RUBBER
AND PNEUMATIC TYRES**

enabling



FAIR TRADE

The International Trade Administration Commission of South Africa herewith presents its **Report No. 334: Rebate of duty on complex petroleum hydrocarbons for use as plasticizers in the manufacture of synthetic rubber and pneumatic tyres.**



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

02 AUGUST 2010

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 344

REBATE OF DUTY ON COMPLEX PETROLEUM HYDROCARBONS FOR USE AS PLASTICIZERS IN THE MANUFACTURE OF SYNTHETIC RUBBER AND PNEUMATIC TYRES.

Synopsis

Karbochem (Pty) Ltd applied for a rebate of duty on complex petroleum hydrocarbons i.e. Treated Distillate Aromatic Extract (TDAE) and Residual Aromatic Extract (RAE) classifiable under tariff sub-heading 2710.11.90.

The Commission found that TDAE and the EU-compliant RAE used in the manufacture of rubber tyres and pneumatic tyres are not manufactured in the SACU.

The Commission therefore recommended the creation of a temporary rebate provision for these petroleum oils. The duties on these products, which are classifiable with other petrochemical products, have an unnecessary cost-raising effect.

The Commission further recommended that the rebate facility be reviewed once the SACU manufacturers are able to manufacture the products in question.

THE APPLICATION AND THE TARIFF POSITION

Karbochem (Pty) Ltd applied for a rebate of duty on complex petroleum hydrocarbons, i.e. Treated Distillate Aromatic Extract (TDAE) and Residual Aromatic Extract (RAE) classifiable under tariff heading 2710.11.90.

The reasons for the application were that the required product grade of RAE is not available in the SACU, and that TDAE is currently not at all manufactured in the SACU.

The application was published in the Government Gazette of 31 May 2010, for interested parties to comment.

The tariff position for the petroleum oils in question is as follows:

Heading	Sub-heading	Article Description	Rate of Duty			
			General	EU	EFTA	SADC
27.10		Petroleum oils and oils obtained from bituminous minerals(excluding crude); preparations not elsewhere specified or included, containing by mass 70 per cent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils:				
	2710.11	Light oils and preparations:				
	2710.11.90	Other	11c/li	11c/li	11c/li	free

The end products, being synthetic rubber and pneumatic tyres, are classifiable under tariff headings 40.02 and 40.11 respectively with duties ranging from free of duty to 10% ad valorem for synthetic rubber and free of duty to 25% ad valorem for pneumatic tyres.

INDUSTRY AND MARKET

The applicant is a manufacturer of a range of solution styrene butadiene and polybutadiene rubbers. The products manufactured by Karbochem are used in the manufacture of rubber products.

The company operates two rubber manufacturing sites, namely an emulsion rubber plant in Sasolburg (since 1964) and a solution rubber plant in Newcastle (since 1982).

The products in question are supplied to the SACU tyre manufacturers who use the products in the manufacture of vehicle tyres. Tyres manufactured in the SACU for export to the EU are required to meet the specific EU directive 76/769/EEC aimed at reducing the use of products containing substances harmful to human health and the environment.

Polycyclic Aromatic Hydrocarbons (PAH), the products that were previously used in the manufacture of synthetic rubbers have been found to contain carcinogens. The objective of the EU regulations is to reduce the emission of tyre debris into the environment to an acceptable level. This can only be ensured by restricting the marketing and use of PAH-rich extender oils.

COMMENTS ON THE APPLICATION

The South African Tyre Manufacturers Conference (SATMC) supported the application on the basis that the rebate would increase the international competitiveness of the SACU manufactured vehicle tyres.

Shell South Africa Marketing (Pty) Ltd, supported the application because the SACU manufacturer is currently not in a position to supply to the requirements of the EU directive.

The SACU manufacturer (SAPREF) is currently considering a plant modification project to produce the environmentally friendly RAE that would meet the newly defined EU standards.

H&R South Africa (Pty) Ltd, an importer of TDAE, supported the application on the basis that the global tyre industry is moving towards label-free process oils. Only DAE (Distillate Aromatic Extract) is manufactured in the SACU. However, this product does not meet the EU standard.

FINDINGS

The Commission found that TDAE and EU-compliant RAE are not manufactured in the SACU.

The Commission therefore recommended the creation of a temporary rebate provision for RAE and TDAE. The duties on these products, which are classifiable with a range of other petro-chemical products not forming part of this investigation, have an unnecessary cost-raising effect, impacting on the competitive position of the tyre manufacturers.

The Commission further recommended that the rebate facility be reviewed once the SACU producers are able to manufacture the products in question and that the duty free importation of the EU-compliant TDAE and RAE be made subject to a permit issued by ITAC with stipulated time frames, quantities, and conditions.

RECOMMENDATION

The Commission recommends that the following rebate provisions be created:

- Blend of complex petroleum hydrocarbons classifiable in tariff subheading 2710.11.90 for use as plasticizers in the manufacture of synthetic rubber classifiable in tariff heading 40.02, in such quantities, at such times, and subject to such conditions as the International Trade Administration Commission may allow by specific permit; and
- Blend of complex petroleum hydrocarbons classifiable in tariff subheading 2710.11.90 for use as plasticizers in the manufacture of synthetic rubber classifiable in tariff heading 40.11, in such quantities, at such times, and subject to such conditions as the International Trade Administration Commission may allow by specific permit.

(03/2010)