

REPORT NO. 347

REDUCTION IN DUTY ON PISTONS FOR MOTOR VEHICLE ENGINES

The International Trade Administration Commission of South Africa herewith presents its Report No 347: **REDUCTION IN DUTY ON PISTONS FOR MOTOR VEHICLE ENGINES**, with recommendations.



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

22/07/2010

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO.347

REDUCTION IN DUTY ON PISTONS FOR MOTOR VEHICLE ENGINES

Synopsis

The Commission considered an application by Masterparts (Pty) Ltd for a reduction in duty on pistons for motor vehicle engines classifiable under tariff subheading 8409.91.27, from 20% *ad valorem* to free of duty.

The Commission found that pistons for vehicle engines are no longer manufactured domestically and that the duty has an unnecessary cost-raising effect. The Commission therefore recommended that the duty applicable to pistons be reduced to free of duty.

The application and tariff position

1. Masterparts (Pty) Ltd applied for a reduction in duty on pistons for motor vehicle engines from 20% *ad valorem* to free of duty.
2. As reason for application, the applicant stated that the duty has an unnecessary cost-raising effect as there are no local manufacturers of pistons for motor vehicle engines within the Southern Africa Customs Union (SACU).
3. The application was published in the Government Gazette for comments by interested parties as follows: "*Reduction in duty on pistons, whether or not fitted with gudgeon pins, pistons rings or cylinder liners or sleeves, for motor vehicles engines classifiable under tariff subheading 8409.91.27*".
4. The existing tariff position of pistons for vehicle engines is as follows:

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty			
				General	EU	EFTA	SADC
8409		Parts suitable for use solely or principally with the engines of heading 84.07 or 84.48					
	8409.91.27	Pistons, whether or not fitted with gudgeon pins, pistons rings or cylinder liners or sleeves, for motor vehicle engines	kg	20%	15%	Free	Free

Industry and market

5. Pistons for vehicle engines are no longer manufactured within the SACU. The companies that previously manufactured pistons, Federal Mogul (Pty) Ltd and Kolbenco (Pty) Ltd, closed down their operations in 2007 and 2008 respectively.
6. Currently, a number of OEMs import pistons, including Volkswagen South Africa, which is assembling automotive engines locally for export. Other companies, including the applicant, import pistons for the aftermarket.

Comments on the application

7. The following are firms and associations that have commented in support of the duty reduction application:

Kolbenco (Pty) Ltd, Federal Mogul (Pty) Ltd, Volkswagen South Africa (Pty) Ltd, National Association of Automotive Components and Allied Manufacturing (NAACAM), Retail Motor Industry Organisation (RMI) and H Paatz (Pty) Ltd. There were no objections to the application.

8. NAACAM supported the application of the reduction in duty on the basis that there are no piston manufacturers locally and that companies who were previously manufacturing pistons went into liquidation.
9. It was stated that the domestic fragmented demand for pistons does not warrant the substantial investment required in a capital intensive industry where large volume production is of the essence.

Findings

10. The Commission found that, as pistons for vehicle engines are no longer manufactured domestically, the existing duty has an unnecessary cost-raising effect.

Recommendation

11. In light of the foregoing, the Commission recommended that the applicable rate of duty on pistons for vehicle engines, classifiable under tariff subheading 8409.91.27, be reduced from 20% to free of duty.