


REPORT NO. 349

**APPLICATION FOR REBATE OF DUTY ON INSULATED ELECTRIC CABLES
USED FOR THE MANUFACTURE OF AUTOMOTIVE WIRING HARNESSES**

The International Trade Administration Commission of South Africa herewith presents its Report No.349. **APPLICATION FOR REBATE OF DUTY ON INSULATED ELECTRIC CABLES USED FOR THE MANUFACTURE OF AUTOMOTIVE WIRING HARNESSSES**, 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. 349

APPLICATION FOR REBATE OF DUTY ON INSULATED ELECTRIC CABLES USED FOR THE MANUFACTURE OF AUTOMOTIVE WIRING HARNESSSES

Synopsis

The Commission considered an application by Hesto Harnesses (Pty) Ltd for a rebate provision for insulated electric cables for the manufacture of automotive wiring harnesses.

The Commission found that domestic cable manufacturers have the potential to manufacture the cables in question. The applicant indicated that it is not its intention to localize the manufacturing of the subject products. The Commission found that this goes against the grain of the principles behind the Motor Industry Development Programme (MIDP). There has also been no attempt by the applicant to source cables from the domestic manufacturer as the sourcing decision has been made by the parent company, in this case, Yazaki Japan.

The administration of the requested rebate provision by ITAC and SARS would also be impracticable as it would be difficult for customs administration purposes to physically distinguish between cables of different technical specifications and stated capabilities.

The Commission could also not support the creation of a rebate provision to the benefit of one of a number of domestic manufacturers of wiring harnesses, in the process distorting the relative competitive positions of the harness manufacturers, as well as eroding the support afforded the domestic manufacturers of cables.

The Commission recommended that the creation of a rebate provision for insulated electric cables for the manufacture of wiring sets of a kind used in motor vehicles, be rejected.

THE APPLICATION AND THE TARIFF POSITION

1. Hesto Harnesses (Pty) Ltd, applied for the creation of a rebate provision for insulated electric cables for the manufacture of automotive wiring harnesses.
2. As reasons for the application, the applicant stated the following:
 - The cables under consideration are not manufactured locally and are specialized heat resistant and halogen-free cables. The insulating material of the subject cables can withstand temperatures of at least 100 °C for a minimum uninterrupted period of 10 000 hours.
 - The customs duty of 15% applicable to electric cables increases the cost of production of automotive wiring harnesses and has a negative impact on the competitive position of Hesto. Wiring harness manufacturers have to meet the target prices set by the light motor vehicle manufacturers and if unsuccessful will not be awarded a contract to manufacture the specific wiring harnesses.
 - The technology exists domestically for the manufacture of insulated electric cables for non-specialized use, but the domestic manufacture of specialised automotive cables is not economical due to the high cost of investment and the low volumes required.
3. The tariff position for insulated electric conductors is shown in Table 1. The requested rebate provision is shown in Table 2.

Table 1: Current tariff position**Rate of duty**

Tariff heading	Tariff subheading	Description	General	EU	EFTA	SADC
85.44	8544.4	Insulated (including enameled or anodized wire, cable (including coaxial cable) and other insulated electric conductors, whether or not fitted with connectors, optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors:				
	8544.49.10	For a voltage not exceeding 80 V	15%	11%	11%	Free

Table 2: Requested Rebate Provision

Rebate Item	Tariff Heading	Rebate Code	Description	Extent of Rebate
316.11	8544.49	04.01	Insulated electrical cable for a voltage not exceeding 80 V of tariff subheading 8544.49.10 for the manufacture of wiring sets of a kind used in motor vehicles classifiable in tariff subheading 8544.30, in such quantities, at such times and under such conditions as the International Trade Administration Commission may allow by specific permit after the Commission has been satisfied that the specific insulated electrical cables are not manufactured in SACU.	Full duty

4. The application was published in the Government Gazette for comment by interested parties.

THE INDUSTRY AND MARKET

5. The domestic manufacturer of automotive wiring cables is Walroflex (Pty) Ltd. Walroflex specializes in the manufacture of automotive cables. In addition, there are a number of manufacturers of cables for the telecommunications and electrical generation and distribution industries. The identified local manufacturers of wiring harnesses are Hesto Harnesses, Pasdec Automotive Technologies (Pty) Ltd, East Cape Wiring (Pty) Ltd, Pi Shurlock (Pty) Ltd, Kromberg & Schubart (Pty) Ltd and Delphi (Pty) Ltd (Botswana).
6. All of the automotive wiring harness producers, manufacture to different technical specifications in an environment of frequent model changes and individual OEM specifications.

COMMENTS ON THE APPLICATION

7. Comments were received from Walroflex and the Association of Electric Cable Manufacturers of South Africa (AECMSA). Walroflex argued that they are able to produce the cables in the specification required by Hesto. However, the hurdle that inhibits the manufacturing of automotive wiring harness cables is the lack of sizable orders from the OEMs. High volume production would offset the cost of the significant investment required.
8. AECMSA, representing members who manufacture cables for the telecommunications and electrical generation and distribution industries, indicated that the requested rebate of duty covers products manufactured domestically and would pose administrative challenges to SARS and ITAC. The concern is that the rebate provision could lead to abuse of the tariff provisions and erode the support granted to the domestic manufacturers of cables.

9. In general, the major cable manufacturers indicated that they are able to manufacture the subject products. However, they are discouraged by low demand with short production runs which makes it difficult to justify the investment required. The fact that the sourcing decisions are made by the OEMs is also a factor that inhibits domestic manufacture.
10. The other domestic wiring harness manufacturers have supported the creation of a rebate provision only on condition that the provision would encompass all the cables with unique technical specification that are not manufactured domestically. They are not in support of a provision that is based on an individual OEM specification such as the current application.

FINDINGS

11. The Commission found that domestic cable manufacturers have the potential to manufacture the cables in question. The applicant indicated that it is not its intention to localize the manufacture of the subject products. The Commission found that this goes against the grain of the principles behind the Motor Industry Development Programme (MIDP). There has also been no attempt by the applicant to source cables from the domestic manufacturer as the sourcing decision has been made by the parent company, in this case, Yazaki Japan.
12. The administration of the requested rebate provision by ITAC and SARS would also be impracticable as it would be difficult for customs administration purposes to physically distinguish between cables of different technical specifications and stated capabilities.
13. The Commission could also not support the creation of a rebate provision to the benefit of one of a number of domestic manufacturers of wiring harnesses, in the process distorting the relative competitive positions of the harness manufacturers, as well as eroding the support afforded the domestic manufacturers of cables.

RECOMMENDATION

14. In the light of the above, the Commission recommended that the creation of a rebate provision for insulated electric cables for the manufacture of wiring sets of a kind used in motor vehicles, be rejected.