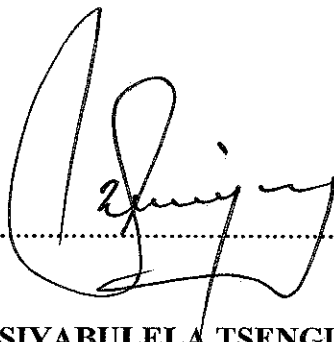


**REPORT NO. 316**

**CREATION OF A REBATE PROVISION FOR GOODS FOR USE IN THE  
CONSTRUCTION OF THE MULTI-PRODUCTS PIPELINE FOR THE  
TRANSPORTATION OF PETROLEUM PRODUCTS**

The International Trade Administration Commission herewith presents report No. 316:  
**CREATION OF A REBATE PROVISION FOR GOODS FOR USE IN THE  
CONSTRUCTION OF THE MULTI-PRODUCTS PIPELINE FOR THE  
TRANSPORTATION OF PETROLEUM PRODUCTS**, with recommendations.

A handwritten signature in black ink, appearing to read 'Siyabulela Tsengiwe', is written over a horizontal dotted line.

**SIYABULELA TSENGIWE**

**CHIEF COMMISSIONER**

**PRETORIA**

26/10/2009

## REPUBLIC OF SOUTH AFRICA

### INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

#### REPORT NO. 316

### CREATION OF A REBATE PROVISION FOR GOODS FOR USE IN THE CONSTRUCTION OF THE MULTI-PRODUCT PIPELINE FOR THE TRANSPORTATION OF PETROLEUM PRODUCTS

#### Synopsis

Transnet Limited applied for the creation of a rebate provision in Schedule 4 of the Customs and Excise Act, for goods that will be imported for use in the construction of the Multi-Products Pipeline. According to the applicant, a range of dutiable goods that are required for this project are either not manufactured in the Southern African Customs Union (SACU) or are not available in the required quantities, specifications, production timeframes, or cost-competitive pricing.

The Commission recommended that a rebate provision be created to accommodate the construction of the Multi-Products Pipeline, as follows: "Goods, entered for home consumption from the date of implementation until 31 December 2010, in such times and under such conditions as the International Trade Administration Commission of South Africa may allow by specific permit, for the installation of fuel pipeline systems used by pipeline operators registered in the Republic to distribute fuel".

#### THE APPLICATION

1. Transnet Limited applied for the creation of a rebate provision for goods that will be used in the construction of the Multi-Products Pipeline for the transportation of petroleum products. According to the applicant, some dutiable goods that are required are either not at all available in the Southern African Customs Union or are not available in the required quantities or specifications, production timeframes, or cost-competitive pricing.
2. The current 12-inch pipeline has reached the end of its life span and requires urgent replacement. The pipeline will soon reach its upper capacity limit due to a rapidly increasing demand. A 16-inch pipeline and 24-inch refined products trunk line will be constructed to meet demand. The 24-inch trunk line will run from Durban to Sasolburg and connect with the inland 16-inch pipeline to receive additional products from inland refineries and deliver these to various points around Johannesburg. The pipeline will be used to transport various grades of unleaded petrol, diesel and jet fuel.

The infrastructure will include sophisticated pump stations, storage tanks and valve and actuator systems.

3. The dutiable goods that may be imported and attract duties are as follows:

<b>Description</b>	<b>Rate of duty</b>
<b>Chapter 73</b>	
7307.1 - Flanges and but-welded fittings of iron or steel	10%
<b>Chapter 84</b>	
84.81 – Valves for pipes, boiler shells, tanks, vats or the like	10% and 15%
<b>Chapter 85</b>	
8501.51 – Other electrical AC motors, multi-phase, of an output not exceeding 750 W	20%
8502.1 – Electric generating sets with compression-ignition internal combustion engines (diesel or semi-diesel), those of an output not exceeding 75kVA and those with an output exceeding 375kVA	20%
8504.32 – Other transformers, having a power handling capacity exceeding 1kVA but not exceeding 16kVA	10%
8506.50 – Primary cells and primary batteries, lithium	10% and 20%
8536.20.15 – Automatic circuit breakers and switches, with moulded casings of plastics or other insulating material, with a current rating not exceeding 800A	15%
8537.10 – For a voltage not exceeding 1000V equipped with apparatus of subheading 8536.20.15 or 8536.50.50	15%
8544.49 – Other electrical conductors, for a voltage not exceeding 1000V, not fitted with connectors (excluding those of a voltage not exceeding 80V)	15%

4. The application was published for comments in the Government Gazette of 21 November 2008. No comments or objections to the application were received.
5. In its application, Transnet Limited states that it has engaged, through its own supplier development programme, the domestic industry and its representative associations manufacturing generating sets, valves for pipes, boiler shells, tanks, vats or the like, electrical motors, pumps, transformers, electrical conductors, flanges and but-welded fittings of iron and steel, with regard to the supply of the applicable goods.
6. The above engagement included the awarding of contracts for the engineering, design, manufacture, supply, assembly, delivery, testing and inspection of work for the pipelines.

## **FINDINGS**

7. The relevant products will be sourced domestically and internationally. According to Transnet, most of the domestic manufacturers will source the expected manufacturing shortfall via international avenues which is going to have an impact on lead time. Transnet indicated that precision valves, generators and line pipes for critical applications are not always available domestically, especially for petroleum-related infrastructure.

8. The Commission found that the duties applicable to the products required and not satisfactorily available domestically, will have an unnecessary cost-raising impact on the project.
9. A Technical Working Group will be established and the attached guidelines issued by ITAC to assist in adjudicating applications for a rebate permit.
10. The importation of dutiable items will therefore be subject to the strict permit requirements of ITAC. Members of the industries involved, including a representative from SAVAMA (South African Valve and Actuator Manufacturer's Association), and representatives from the steel, tubes and pipe manufacturing industries, will serve on the Technical Working Group that, under the auspices of ITAC, will control the process of the issuing of permits, including consideration of the domestic production capacity and capability.

### **RECOMMENDATION**

11. The Commission recommended that a rebate provision under Schedule 4 of the Customs and Excise Act be created as follows: "Goods, entered for home consumption from the date of implementation until 31 December 2010, in such quantities, in such times and under such conditions as the International Trade Administration Commission of South Africa may allow by specific permit, for the installation of fuel pipeline systems used by pipeline operators registered in the Republic to distribute fuel".

[T5/2/18/1(29/2008)]



International Trade Administration Commission of South Africa

## **INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**GUIDELINES FOR REBATE OF DUTY ON REBATE  
ITEM 460.27/00.00/01.01 "GOODS ENTERED FOR  
USE IN THE CONSTRUCTION OF THE MULTI-  
PRODUCTS PIPELINE FOR THE TRANSPORTATION  
OF PETROLEUM PRODUCTS" KNOWN AS THE  
TRANSNET NEW MULTI-PRODUCT PIPELINE  
(NMPP)**

**October 2009**

**GUIDELINES FOR APPLICATION BY AN IMPORTER TO REGISTER FOR IMPORTATION OF GOODS IN TERMS OF REBATE ITEM 460.27/00.00/01.01 FOR USE IN THE CONSTRUCTION OF THE MULTI-PRODUCT PIPELINE FOR THE TRANSPORTATION OF PETROLEUM PRODUCTS**

1. Schedule No 4, Part 1 of the Customs and Excise Act No 91 of 1964 makes provision for "Goods, entered for home consumption from the date of implementation until 31 December 2010, in such quantities, in such times and under such conditions as the International Trade Administration Commission of South Africa may allow by specific permit, for the installation of fuel pipeline systems used by operators registered in the Republic to distribute fuel".
2. The provision was created to enable imports of specific products to the project that attract import duty where there are no domestic manufacturers of the products concerned or the domestic manufacturer is unable to meet the required quality and or quantity and or time frame or cannot manufacture at an acceptable price. Provided that the products are used in the construction of the fuel pipeline systems listed below.

*Goods, entered for home consumption before 31 December 2010 for the installation of fuel pipeline systems used by pipeline operators registered in the republic to distribute fuel*

3. The list of products that were found to attract duty is not exhaustive but will in future be subject to additional products being included to qualify for the rebate and any other products that shall be mentioned by the importer giving prior notice of 3 months before the actual date of import for ITAC's approval.

The following goods may be imported and only be used in the installation of fuel pipeline system:

- 7307.1 Flanges and but-welded fittings of iron or steel
- 84.81 Valves for pipes, boiler shells, tanks, vats or the like
- 8501.51 Other electrical AC motors, multi-phase, of an output not exceeding 750W
- 8502.1 Electric generating sets with compression-ignition internal combustion engines (diesel or semi-diesel), those of and output not exceeding 75kVA and those with and output exceeding 375kVA
- 8504.32 Other transformers, having a power handling capacity exceeding 1kVA but not exceeding 16kVA
- 8506.50 Primary cells and primary batteries, lithium
- 8536.20.15 Automatic circuit breakers and switches, with moulded casings of plastics or insulating material, with a current rating not exceeding 800A
- 8537.10 For a voltage nor exceeding 1000V equipped with apparatus of subheading 8536.20.15 or 8536.50.50
- 8544.49 Other electrical conductors, for a voltage not exceeding 1000V, not fitted with connectors (excluding those of a voltage not exceeding 80V)

4. Applications for rebate in terms of item 460.27/00.00/01.01 will be limited to those companies that have been approved to be subcontractors of Transnet Limited.

5. Applications for rebate permit in terms of rebate item 460.27/00.00/01.01, must reach ITAC 60 days prior to the actual importation of goods. Applications for permits will only be considered if the approved subcontractor has completed the questionnaire in full as set out in Annexure A and submitted by Transnet Limited with a unique Transnet Limited registration number. Applications may be faxed, but the original application form must be submitted thereafter. Applications should include:

- **A copy of registration of the subcontractor, if the subcontractor is a company or a Close Corporation, by the Registrar of Companies/ Close Corporation**
- **A copy of the subcontractor's registration with SARS as an importer indicating the customs code number.**
- **A copy of the contract between Transnet Limited and the subcontractor in which the terms and conditions, including the specification to be met, for the construction project are set out.**
- **A copy of the resolution of the company/ close corporation that the signatory is authorised to sign the application for a permit.**
- **A list of domestic manufacturers that were contacted by the subcontractor to manufacture the product to be imported in terms of rebate item 460.27/00.00/01.01**
- **A letter stating that the domestic manufacturers are unable to manufacture the product in terms of the required quantities or specifications, production timeframes, or cost-competitive pricing to be imported in terms of rebate item 460.27/00.00/01.01**
- **Plans for the project – where does subcontractor's product fit into the project.**

6. Taking into consideration that some of these goods to be imported might be manufactured domestically, proof of confirmation that states that the domestic company cannot or meet the project requirements will be crucial. The rebate permit issued by ITAC will be valid for a period of 12 months from the date of issue of the rebate permit.

Amendments to the rebate permit will only be done on a permit if the description and tariff heading are incorrectly captured. Amendments in respect of free on board (FOB) values and quantities will require a new application.

7. Incomplete application forms will not be accepted. Original permits will be forwarded to SARS and the applicant will be issued with a notification letter.

8. The Technical Working Group will evaluate all applications for rebate permits and will be responsible for the evaluation of the applications. ITAC will only accept applications that are supported and submitted by any subcontractor as specified in paragraph 4 of these Guidelines. Incomplete and unsigned application forms from an applicant will not be considered.

9. The importer of the products shall be held liable for any discrepancies resulting from imported goods being sold in the domestic market or used for any other purpose other than that specified on the permit. The importer will also be held responsible for any other incorrect information supplied, for whatever reason, which resulted in the issue of the rebate permit. SARS duties and penalties will be invoked if the goods imported in terms of the rebate permit are used for any other purpose than that described in the rebate provision and in the permit.



10. A Monitoring Committee chaired by a representative of ITAC will monitor the rebate as per statistics available and the usage of the permits that were issued. For this purpose applicants will be required to submit a quarterly reconciliation of imports against the rebate permit, usage of the imported products in the project, stock carried forward as well as the balance on the rebate permit per product. Quarterly statistics will be compiled and submitted to the Commission to note for Government Gazette publication. Government Gazette publication will be beneficial in identifying additional domestic manufacturers. A schedule setting out the following should be submitted to the Monitoring Committee, Applications/ Permit/ Imports/ Balance carried forward/ Actual usage in project/ imported stock.

11. The Guidelines will become effective on the date on which the rebate provision is implemented in the Customs and Excise Act.

12. These Guidelines should be read and understood before completing the application form.

Applications for permits must be addressed to:  
The Senior Manager: Tariff Investigations II  
International Trade Administration Commission  
Private Bag X 753  
Pretoria  
0001

**Contact Person:** D Lombard  
Tel: 012 – 394 3687  
Fax: 012 – 394 0518  
Email: dlombard@itac.org.za

The applications may be faxed to: 012 394 0518

Or may be delivered by hand to:

**Ground Floor, Block E**

dTi Campus

77 Meintjies Street

Sunnyside, Pretoria

13. Applications for permits must be submitted according to the attached application form and in line with the guidelines set out in this document.

If the space provided in the application form is insufficient, please use the format of the application form to submit the required information.

14. If an application is deficient, the application will not be further processed and the applicant will be informed accordingly. An application will be regarded as deficient if one or more of the following is applicable:

- The application is not in the format of the application form.
- The application does not comply with the guidelines as set out in this document.
- All the information requested in the application form is not submitted
- The application contains conflicting information.
- The application contains incorrect information.

Applicants who submitted deficient applications must submit duly completed application forms to replace deficient application forms, should they wish to proceed.

15. It is advisable that South African Revenue Service be consulted with regard to the tariff classification, description for customs tariff purposes and the statistical unit for customs tariff purposes of each of the imported products and required in terms of question 12 of the application form.
16. Should the Commission decide to reject the application, the applicant shall be informed in writing of the decision and the reasons thereof.
17. A non-confidential version of the application shall be included, as part of the application and such information shall be labelled.

Requests for additional information on what is mentioned above will be conveyed to the applicant and the information will only be revealed if the applicant agrees to reveal such information.

Annexure A (Application form) is attached.

**ANNEXURE A**

**QUESTIONNAIRE TO BE COMPLETED FOR REBATE ITEM 460.27/00.00/01.01: "GOODS, ENTERED FOR HOME CONSUMPTION FROM THE DATE OF IMPLEMENTATION UNTIL 31 DECEMBER 2010, IN SUCH QUANTITIES, IN SUCH TIMES AND UNDER SUCH CONDITIONS AS THE INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA MAY ALLOW BY SPECIFIC PERMIT, FOR THE INSTALLATION OF FUEL PIPELINE SYSTEMS USED BY PIPELINE OPERATORS REGISTERED IN THE REPUBLIC TO DISTRIBUTE FUEL"**

*(Please note that applications have to be made well in advance as rebate permits will not be issued with retrospective effect. Only if the questionnaire is completed and submitted together with all the required documents, will it be considered an application)*

**IT IS IMPERATIVE TO STUDY THE GUIDELINES IN TERMS OF REBATE ITEM 460.27 FIRST BEFORE COMPLETING THE APPLICATION FORM**

**IF THE SPACE PROVIDED FOR ON THE APPLICATION FORM IS INSUFFICIENT, PLEASE USE THE LAYOUT OF THE APPLICATION FORM AS A GUIDELINE OF THE FORM IN WHICH THE REQUESTED INFORMATION SHOULD BE SUBMITTED**

**General information**

1. Name of the applicant / subcontractor	
2. Physical address	
3. Postal address	
4. Transnet Limited Registration Number	
5. Customs Code Number	
6. SARS Registration Number:	
7. VAT number	
8. Name of the contact person:	
9. Details of the contact person:	Tel: Fax: Email
10. Detailed description of the construction process in the Transnet New Multi Product Pipeline (NMPP) in which the goods will be used	
11. Indicate the site where the construction will take place and where the goods will be used	

**Import transaction information for the period ..... to .....**

12. Description	Tariff subheading	Quantity Kg and/or unit of measurement	FOB value Rand


(If the space is not enough, please attached a list with all the required information as per the table)

13. Are the goods listed manufactured in RSA?	Yes/No
14. If yes, submit reasons why the goods have to be imported and the rebate is required.	
15. If no, please provide details who was contacted to enquire availability, lead time and price (submit responses of local manufacturers)	Name of company: Contact person: Tel: Fax: Email:
16. Is it the first application submitted?	Yes/No
17. If no, please submit copies of previous rebate permits issued.	Permit no:

**AFFIDAVIT**

Submit the following declaration by the Chief Executive Officer of the company concerned:

I, \_\_\_\_\_ (full name) with identity number \_\_\_\_\_ in

my capacity as \_\_\_\_\_ of \_\_\_\_\_ hereby

declare that the information furnished in this application is to the best of my knowledge true and correct.

Signature:.....

Date:.....

I certify that the respondent has acknowledged that he/she knows and understands the contents of this affidavit, and that he/she has no objection to taking the prescribed oath, and that he/she considers this oath to be binding on his/her conscience.

Signed and sworn at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ year.

\_\_\_\_\_  
Commissioner of Oaths

I, \_\_\_\_\_ (full name; Senior Official), in

my capacity as \_\_\_\_\_ at Transnet Limited, within my personal knowledge and belief, declare that the information is correct.

Signature:.....

Date:.....