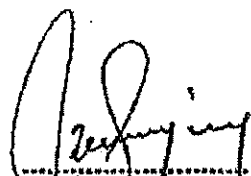


REPORT NO. 279

**REBATE OF THE DUTY ON ELECTRONIC
BALLASTS USED IN THE MANUFACTURE OF
COMPACT FLUORESCENT LAMPS AND THE
RETENTION OF THE DUTY ON COMPACT
FLUORESCENT LAMPS WITH A POWER RATING OF
8W OR MORE BUT NOT EXCEEDING 23W**

The International Trade Administration Commission herewith presents its Report
No. 279: REBATE OF THE DUTY ON ELECTRONIC BALLASTS USED IN THE
MANUFACTURE OF COMPACT FLUORESCENT LAMPS AND THE RETENTION OF
THE DUTY ON COMPACT FLUORESCENT LAMPS WITH A POWER RATING OF 8W
OR MORE BUT NOT EXCEEDING 23W, with recommendations.


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Siyabulela Tsongiwe
CHIEF COMMISSIONER

PRETORIA

20/08/08

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA

REPORT NO. 279

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MANUFACTURE OF COMPACT FLUORESCENT LAMPS AND THE
RETENTION OF THE DUTY ON COMPACT FLUORESCENT LAMPS WITH A
POWER RATING OF 8W OR MORE BUT NOT EXCEEDING 23W**

Synopsis

Philips South Africa (Pty) Ltd applied for the creation of a rebate provision on electronic ballasts used in the manufacture of compact fluorescent lamps, as well as a minimum protective duty of a 15% *ad valorem* on certain fluorescent lamps.

The Commission recommended the creation of a rebate provision for electronic ballasts used in the manufacture of compact fluorescent lamps and also decided that the existing ordinary customs duty of 15% *ad valorem* would provide adequate protection for the industry. The tariff relief on an imported component combined with a moderate rate of protection on the end product should serve as sufficient support for the applicant's planned investment in Lesotho.

The application

1. Philips South Africa (Pty) Ltd applied for a rebate of duty on electronic ballasts classifiable under tariff subheading 8504.10 for the manufacture of compact fluorescent lamps of tariff subheading 8539.31.90, with a power rating of 8W or more but not exceeding 23W.
2. The applicant is planning to construct a plant in Lesotho for the production of compact fluorescent lamps and production will commence during the latter half of 2008. There are no existing SACU manufacturers of compact fluorescent lamps. The venture will have a positive impact on the economy of Lesotho with R48m invested in plant and machinery. This venture will also create 450 sustainable jobs.
3. The applicant requested a minimum protective duty of 15% *ad valorem*, or possibly, an increase to the WTO-bound rate of 20% *ad valorem*.

4. The reason for the application is that the proposed rebate of the duty on electronic ballasts (which are not manufactured in SACU) and a duty of at least 15 per cent *ad valorem* on the end product would make the project viable especially during its infant stage.

The tariff position

5. The electronic ballasts are currently classifiable under tariff subheading 8504.10 as follows:

85.04 ELECTRICAL TRANSFORMERS, STATIC CONVERTERS (FOR EXAMPLE, RECTIFIERS) AND INDUCTORS:					
Heading	Subheading	Article Description	Rate of Duty		
			General	EU	EFTA
8504	8504.10	Ballasts for discharge lamps or tubes	10%	6,3%	10%
	8504.2	Liquid dielectric transformers			
	8504.21	Having a power handling capacity not exceeding 650kVA	10%	6,3%	10%
	8504.22	Having a power handling capacity exceeding 650kVA but not exceeding 10 000kVA	10%	6,3%	10%
	8504.23	Having a power handling capacity exceeding 10 000kVA	10%	6,3%	10%

6. The existing tariff structure for the final product that is classifiable under tariff subheading 8539.31.90 is as follows:

ELECTRIC FILAMENT OR DISCHARGE LAMPS, INCLUDING SEALED BEAM LAMP UNITS AND ULTRA-VIOLET OR INFRA-RED LAMPS; ARC-LAMPS					
Heading	Subheading	Article Description	Rate of Duty		
			General	EU	EFTA
8539	8539.3	Discharge lamps (excluding ultra-violet lamps):			
	8539.31	Fluorescent hot cathode:			
	8539.31.45	Linear (excluding mercury vapour lamps) of a length of 600 mm or more but not	20%	Free	16%

		exceeding 2 500 mm, of a diameter of 25 mm or more but not exceeding 40mm and of 20 W or more but not exceeding 105 W			
	8539.31.90	Other	15%	Free	12%
	8539.32	Mercury or sodium vapour lamps; metal halide lamps:			
	8539.32.45	Fluorescent lamps, linear (excluding mercury vapour lamps) of a length of 600 mm or more but not exceeding 2 500 mm, of a diameter of 25 mm or more but not exceeding 40 mm and of 20 W or more but not exceeding 105 W	20%	Free	16%
	8539.32.90	Other	15%	Free	12%

The industry and competitive position

7. The manufacturing plant in Lesotho will supply in the full requirements of SACU and will have the potential to export to SADC destinations.
8. The applicant will be producing at a relatively small scale domestically compared to plant sizes in China. The applicant argued that, in addition to the rebate provision, it would require a minimum of 15% *ad valorem* on the end product to make the venture economically viable, especially during its infant stage.
9. According to the information at the Commission's disposal and due to the lower economies of scale compared to plant sizes in China, the applicant, in the absence of protective duties, would experience a price disadvantage of approximately 10% if its ex-factory selling price is compared to the landed cost of equivalent lamps imported from China.

Comments on the application

10. There were no objections to the application. The Government of Lesotho supported the application.

Findings and recommendation

11. In the light of the expected price disadvantage, and especially during its infant stage, the Commission found sufficient justification for the retention of the

existing duty of 15% *ad valorem* and the creation of the requested rebate provision.

12. The tariff relief in the form of a rebate provision combined with the duty of 15% *ad valorem* on the final product should adequately protect the industry. The Commission found that an increase in the duty on compact fluorescent lamps to the WTO bound rate of 20% *ad valorem* would have an unacceptable cost-raising impact on industries and consumers.
13. In the light of the foregoing and in addition to its decision that the duty of 15% *ad valorem* on compact fluorescent lamps with a power rating of 8W or more but not exceeding 23W, classifiable under tariff subheading 8539.31.90, be maintained, the Commission recommends that Schedule No. 3 of the Customs and Excise Act be amended to provide for a rebate of duty as follows:

"Electronic ballasts classifiable under tariff subheading 8504.10 for the manufacture of fluorescent discharge lamps (excluding ultra-violet lamps) of tariff subheading 8539.31.90 with a power rating of 8W or more but not exceeding 23W."

[T5/2/18/1 (10/2008)]