

## **Report No. 228**

# **Creation of a temporary rebate provision for safety syringes**

The International Trade Administration Commission of South Africa (ITAC) herewith presents its Report No. 228: *CREATION OF A TEMPORARY REBATE PROVISION FOR SAFETY SYRINGES.*



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PRETORIA

20/04/.....2007

# REPUBLIC OF SOUTH AFRICA

## INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

### REPORT NO. 228

#### CREATION OF A TEMPORARY REBATE PROVISION FOR SAFETY SYRINGES

##### Synopsis

The Commission considered an application for the creation of a temporary rebate for the importation of safety syringes. According to the applicant there were no manufacturers of safety syringes in the Southern African Customs Union (SACU). The applicant is importing a fully manufactured product from the United States of America (US) and sells it domestically.

Until recently there were two domestic manufacturers in South Africa, one still manufacturers normal syringes, whilst the other manufactured a South African designed safety syringe. In the latter case, production has ceased, however the company is in the process of being acquired by foreign interests.

The Commission decided not to discourage the possible foreign investment in the domestic manufacturing plant and therefore recommends the creation of a temporary rebate provision until such time as domestic manufacture has commenced.

##### Introduction

Lechoba Medicals (Pty) Ltd, hereon referred to as the applicant, applied for a reduction in the rate of duty on disposable hypodermic syringes of plastic with an automatic retractable needle, classifiable under tariff sub-heading 9018.31.40 from 20% *ad valorem* to free of duty.

These syringes are commonly known as safety syringes as they are designed to prevent needle-stick injuries with infected needles. A number of different types of safety syringes are available in the world markets: safety syringes provide protection either by way of automatic retraction of the needle into the plunger after administration of the medication or by way of a protection sheath which covers the locked needle after use.

The applicant imports a range of safety syringes as a complete product, which is then sold in SACU.

The syringes are made of plastic, come in various sizes and have the following specifications:

- The syringes have a non-detachable needle design;
- The needle automatically retracts from the patient into the empty syringe barrel after medication has been administered;

- The safety mechanism is activated while the needle is still in the patient when the plunger is fully depressed, which virtually eliminates exposure to a contaminated needle;
- The syringes are rendered non-reusable once the retraction mechanism has been activated.

These syringes are different from the ordinary disposable plastic hypodermic syringe in that this one eliminates the re-use of contaminated syringes/needles, prevents accidental exposure to contaminated needles after injection, protects healthcare workers from needle-stick injuries, protects the community from discarded contaminated needles and limits or prevents the spread of infectious diseases that the needles were exposed to, such as Hepatitis B virus, Hepatitis C virus, HIV etc.

All the Departments of Health in all nine provinces of South Africa are using safety syringes, to an extent. The customs duty as a percentage of the selling price is about 9%.

### **Tariff Position**

The tariff structure of disposable syringes of plastic is as shown in Table 1 below:

**Table 1: Tariff Position – Imported Product**

CHP	TARIFF SUB-HEADING	ARTICLE DESCRIPTION	RATE OF DUTY			
			Gen	EU	EFTA	SADC
90		Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical or Surgical Instruments and Apparatus; Parts and Accessories thereof				
	90.18	Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus and sight-testing instruments:				
	9018.3	Syringes, needles, catheters, cannulae and the like:				
	9018.31	Syringes, with or without needles:				
	<b>9018.31.40</b>	<b>Disposable hypodermic syringes of plastics</b>	<b>20%</b>	<b>12.6%</b>	<b>20%</b>	<b>Free</b>
	9018.31.90	Other	Free	Free	Free	Free
	9018.32	Tubular metal needles and needles for sutures:				
	9018.32.20	Hypodermic needles, including dental injection needles, with hubs	15%	9.45%	15%	Free
	9018.32.90	Other	Free	Free	Free	Free

The SACU's WTO bound rate commitment for "disposable hypodermic syringes of plastics" is 20% *ad valorem*.

Safety syringes are not classified separately and the products of both the South African manufacturers (normal and safety syringes) are classifiable under tariff subheading 9018.31.40.

There are five rebate items applicable to the manufacturing of disposable hypodermic syringes:

- Rebate item 318.01/40.16/01.00 – pistons of vulcanised rubber (excluding hard rubber), for disposable hypodermic syringes.
- Rebate item 390.01/39.01/01.04 – polymers of ethylene, in primary forms, for the manufacture of disposable hypodermic syringes of plastics, of subheading 9018.31 (for export only).
- Rebate item 390.01/39.02/01.04 – polymers of propylene, in primary forms, for the manufacture of disposable hypodermic syringes of plastics, of subheading 9018.31 (for export only).
- Rebate item 390.01/3921.19/01.04 – plates, sheets, film, foil and strip, of cellular plastics (excluding those of polyethyleneterephthalates, other condensation, polycondensation and poly-addition products and polymers of ethylene) for the manufacture of disposable hypodermic syringes of plastics, of subheading 9018.31 (for export only).
- Rebate item 390.01/9018.32/01.04 – tubular metal needles, for the manufacture of disposable hypodermic syringes of plastics of subheading 9018.31 (for export only).

### **Comments**

The application was published in the *Government Gazette* No. 29352, on 10 November 2006. Comments were received from a domestic manufacturer who objected to the creation of a temporary rebate stating that they were manufacturing safety syringes domestically, thus contributing to the local economy and job creation. Even though the domestic manufacturer stopped manufacturing the locally designed safety syringe, they still carry a large quantity of stock and still do the sterilisation of the syringes. They stated that the selling price of their product is less than half of that of the applicant's imported product.

The Directorate: Geographic Projects at the EIDD division of **thedti** supported the application.

### **Findings**

Until recently there were two domestic manufacturers of syringes in South Africa, the one still manufactures the normal syringe and the other manufactured a South African designed safety syringe. In the latter case, manufacturing has ceased due to a large quantity of unsold stock. The company is in the process of being sold to foreign interests and a possible large investment is pending. This will have the favourable effect of a local safety syringe manufacturer able to manufacture products cheaper than the imported product.

In order not to discourage foreign direct investment in domestic manufacturing, the Commission found that a temporary rebate provision would assist the applicant whilst not discouraging investment in manufacturing. As soon as the domestic manufacture of safety syringes has

commenced, the issuing of rebate permits will be discontinued. The Commission will periodically review the rebate provision.

### **Recommendation**

The Commission recommends the creation of a temporary rebate facility for rebate of the full duty on safety syringes with automatically retractable needles in Part 2 of Schedule 4 of the Customs and Excise Act, 1964 as follows:

*Disposable hypodermic syringes of plastics, classifiable in tariff subheading 9018.31.40, fitted with needles that, after use, are permanently retracted into the barrel of the syringe, at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, provided that there are no manufacturers of such or similar safety syringes in the SACU area.*