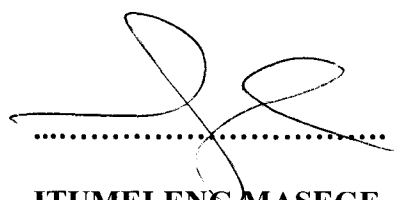


## **Report No. 245**

# **Application for a reduction in the duty on mineral fibre ceiling panels**

The International Trade Administration Commission herewith presents its Report No. 245:  
**APPLICATION FOR A REDUCTION IN THE DUTY ON MINERAL FIBRE  
CEILING PANELS**, with recommendation.

A handwritten signature in black ink, consisting of several loops and a horizontal line, positioned above a dotted line.

**ITUMELENG MASEGE**

**ACTING CHIEF COMMISSIONER**

**PRETORIA**  
**11.09.2007**

**REPUBLIC OF SOUTH AFRICA**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**REPORT NO. 245**

**APPLICATION FOR A REDUCTION IN THE DUTY ON MINERAL FIBRE CEILING PANELS**

**Synopsis**

The firm, Speciality Design Products (Pty) Ltd, trading as Owa Ceiling Systems Cape, applied for a reduction in the duty on mineral fibre ceiling panels. The Commission found that granting tariff relief to the applicant would adversely affect the competitive position of firms manufacturing acoustic products in the SACU region. The Commission therefore recommended that the application for a reduction in the duty on mineral fibre ceiling panels be rejected.

**Introduction**

1. The applicant applied for a reduction in the duty on mineral fibre ceiling panels classifiable under tariff subheading 6806.10 through the insertion of a new 8-digit tariff subheading. The application was published in the Government Gazette of 9 March 2007 for comment by interested parties.

**Reason for the application**

2. As reason for the application, the applicant stated that the product is no longer manufactured in the SACU region. Masonite (Africa) Ltd stopped producing mineral fibre ceiling panels in 2004 due to problems with the local availability of the mineral slag raw material.

**The tariff position**

3. The mineral fibre ceiling panels are currently classifiable under Schedule No. 1 of the Customs and Excise Act, as follows:

Heading	Sub= heading	Article Description	General	EU	SADC	EFTA
68.06		Slag wool, rock wool and similar mineral wools; exfoliated vermiculite, expanded clays, foamed slag and similar expanded				

		mineral materials; mixtures and articles of heat-insulating, sound - insulating or sound-absorbing mineral materials (excluding those of heading no. 68.11 or 68.12 or of Chapter 69):				
	6806.10	Slag wool, rock wool and similar mineral wools (including intermixtures thereof), in bulk, sheets or rolls	15%	9,45%	Free	15%
	6806.20	Exfoliated vermiculite, expanded clays, foamed slag and similar expanded mineral materials (including intermixtures thereof)	15%	9,45%	Free	15%
	6806.90	Other				
	6806.90.30	Articles of slag wool, rock wool or similar wools	15%	9,45%	Free	15%
	6806.90.90	Other	Free	Free	Free	Free

### **The industry, market, and competitive position**

4. The firm is situated in Eppindust, Cape Town. Other importers of the product are Masonite (Africa) Ltd in Durban and Capco cc, in Rochdale Park.
5. Other materials commonly used for ceilings are for instance, plain and pre-painted gypsum, vinyl clad gypsum and plain, pre-painted and vinyl clad nutec cement.
6. For domestic applications, flush plastered ceilings are the order of the day. These traditionally have consisted of gypsum board nailed onto timber brandering and then skim plastered and painted. Nowadays, however, plasterboard screwed to a metal framework or brandering and then jointed or skim plastered and painted is becoming more common. The latter is used in residential high - rise buildings and upmarket homes. It is also common in hotel rooms and corridors; shopping centre malls etc. where shapes and bulkheads are incorporated into the design.
7. None of the above should be compared to the type of ceilings into which acoustic mineral fibre ceiling panels are installed. These are known as suspended ceilings and consist of a metal grid system which is suspended either by wire or metal framework below a roof structure or intermediate slab and into which the ceiling panels are laid to form the ceiling. Suspended ceilings are typically used in office blocks, shops, supermarkets, showrooms, hospitals, conference centres, hotel function rooms, gyms, theatres and cinemas.
8. The applicant has an annual market share of approximately 15%.

9. According to the applicant the market is cyclical and the current market size is estimated at 1.25 million m<sup>2</sup> per annum.
10. The locally manufactured textile based sheets are more expensive than the imported mineral fibre ceiling panels.

### **Comments on the application**

11. Owens Corning South Africa (Pty) Ltd had no objection to the application for a reduction in the duty on the specific mineral fibre ceiling panels, as the firm does not manufacture these ceilings. However, if no new tariff subheading is created, the firm would object to the reduction in the duty as it would erode current protection on products that it manufactures.
12. The Master Builders of South Africa had no objection to a possible reduction in the duty on mineral fibre ceiling panels.
13. The Textile Federation objected to the application. The Federation stated that granting a duty free dispensation to a product or list of products from a broad range of similar products, in this instance to one type of acoustic material from amongst many other acoustic materials, in its opinion, will cause market distortions.
14. In the area of acoustic products, textile based acoustic products manufactured locally by Frame Fibres compete with mineral wool type acoustic products.
15. The domestically produced textile based sheet is classifiable under tariff subheading 5603.94.10 at 20 % ad valorem and 5603.94.90 at 10% ad valorem, depending whether the acoustic boards are coated or not. The raw material namely the polyester fibre is classifiable under tariff subheading 5503.20 at 7,5% ad valorem and is produced locally by Hosaf SA (Pty) Ltd. The product is currently being specified for certain cinemas and auditoriums.
16. The Textile Federation stated that similarities between the imported product and the locally manufactured product exist as far as acoustical properties are concerned and they can therefore be regarded as substitute products. To an extent both products have thermal insulation properties.
17. According to the applicant, although the acoustical and thermal conductivity properties differ to a slight extent, the imported product is mostly used in commercial buildings, while the locally manufactured product is mostly used in cinemas. The imported mineral fibre is non-combustible, while the local textile based sheet is not as fire-resistant, hence its unsuitability for commercial suspended ceilings.

### **Finding**

18. The Commission found that a reduction in the rate of duty on mineral fibre ceiling panels would have an adverse effect on the competitive position of domestic manufacturers of similar products.

## **Recommendation**

19. In the light of the foregoing, the Commission recommended that the application be rejected.

[T5/2/13/2/1 (20/2006)]