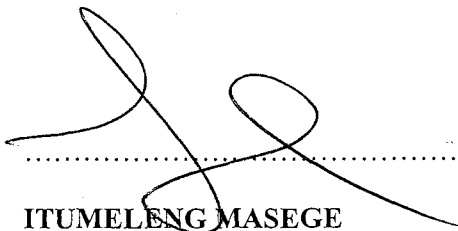


Report No. 230

Rebate of the duty on electric heating resistors for the manufacture of certain spiral-plate tabletop cookers and jug kettles with plastic bodies as well as glass lids for the manufacture of frying pans

The International Trade Administration Commission herewith presents its Report No. 230: **REBATE OF DUTY ON ELECTRIC HEATING RESISTORS FOR THE MANUFACTURE OF CERTAIN SPIRAL-PLATE TABLETOP COOKERS AND JUG KETTLES WITH PLASTIC BODIES AS WELL AS GLASS LIDS FOR THE MANUFACTURE OF FRYING PANS**, with recommendation.

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

ITUMELENG MASEGE

ACTING CHIEF COMMISSIONER

PRETORIA

04.05.2007

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 230

REBATE OF DUTY ON ELECTRIC HEATING RESISTORS FOR THE MANUFACTURE OF CERTAIN SPIRAL-PLATE TABLETOP COOKERS AND JUG KETTLES WITH PLASTIC BODIES AS WELL AS GLASS LIDS FOR THE MANUFACTURE OF FRYING PANS

Synopsis

Nu-World Industries (Pty) Ltd, applied for a rebate of duty on electric heating resistors for the manufacture of certain spiral-plate tabletop cookers and jug kettles with plastic bodies as well as glass lids for the manufacture of frying pans. The Commission found that the components are not manufactured in the SACU region. A rebate of the duty would reduce the applicant's input costs and improve his competitive position. The Commission therefore recommended that a rebate of duty on electric heating resistors for the manufacture of certain spiral-plate tabletop cookers and jug kettles with plastic bodies as well as glass lids for the manufacture of frying pans, be introduced.

Introduction

1. Nu-World Industries (Pty) Ltd applied for a rebate of duty on electric heating resistors for the manufacture of certain spiral-plate tabletop cookers and jug kettles with plastic bodies as well as glass lids for the manufacture of frying pans. The application was published in the Government Gazette of 8 December 2006 for comment by interested parties.

Reason for the application

2. As reason for the application, the applicant stated that the specific components used in the manufacture of certain spiral-plate tabletop cookers and jug kettles with plastic bodies as well as glass lids for the manufacture of frying pans are not manufactured in SACU region.

The application and tariff position

3. The applicant requested that certain electric heating resistors classifiable under tariff subheadings 8516.80.10 and 8516.80.90, and glass lids classifiable under tariff subheading 8516.90.30 be imported under rebate of the duty for the manufacture of certain spiral-plate tabletop cookers, jug kettles with plastic bodies and frying pans.

4. The components imported are currently classifiable under Schedule No. 1 of the Customs and Excise Act, as follows:

| Heading | Sub-heading | Article description | General | EU | SADC |
|---------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----|------|
| 85.16 | | Electric Instantaneous or Storage Water Heaters and Immersion Heaters; Electric Space Heating Apparatus and Soil Heating Apparatus; Electro-thermic Hair-dressing Apparatus (for example, Hair Dryers, Hair Curlers, Curling Tong Heaters) and Hand Dryers; Electric Smoothing Irons; Other Electro-thermic Appliances of a kind used for domestic purposes; Electric Heating Resistors (Excluding those of heading No. 85.45): | | | |
| 8516.80 | | Electric heating resistors: | | | |
| | 8516.80.10 | Identifiable for use solely or principally with domestic stoves, hot-plates and ovens | 20% | 12% | Free |
| | 8516.80.90 | Other | 20% | 15% | Free |
| | 8516.90 | Parts: | | | |
| | 8516.90.30 | For other electric-thermic appliances of a kind used for domestic purposes | 20% | 16% | Free |

5. The end products, namely certain spiral-plate tabletop cookers (8516.60), electric jug kettles with plastic bodies (8516.10.90) and electric frying pans (8516.79) are classifiable under the following tariff subheadings:

| Heading | Sub-heading | Article description | General | EU | SADC |
|---------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----|------|
| 85.16 | | Electric Instantaneous or Storage Water Heaters and Immersion Heaters; Electric Space Heating Apparatus and Soil Heating Apparatus; Electro-thermic Hair-dressing Apparatus (for example, Hair Dryers, Hair Curlers, Curling Tong Heaters) and Hand Dryers; Electric Smoothing Irons; Other Electro-thermic Appliances of a kind used for domestic purposes; Electric Heating Resistors (Excluding those of heading No. 85.45): | | | |
| | 8516.10 | Electric instantaneous or storage water heaters and immersion heaters: | | | |
| | 8516.10.90 | Other | 20% | 15% | Free |
| | 8516.60 | Other ovens; cookers, cooking plates, boiling rings, grillers and roasters | 20% | 12% | Free |
| | 8516.7 | Other electro-thermic appliances: | | | |
| | 8516.79 | Other | 20% | 12% | Free |

6. The existing rebate item 316.09/8516.80/01.06 reads as follows:

| Rebate Item | Tariff Heading | Rebate Code | Description | Extent of rebate |
|-------------|----------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 316.09 | | | Industry: Electric Instantaneous or Storage Water Heaters and Immersion Heaters; Electric Space Heating Apparatus and Soil Heating Apparatus; Electro-thermic Hair-dressing Apparatus (for example, Hair Dryers, Hair Curlers, Curling Tong Heaters) and Hand Dryers; Electric Smoothing Irons; Other Electro-thermic Appliances of a kind used for domestic purposes; Electric Heating Resistors (Excluding those of Heading No. 85.45). | |
| | 8516.80 | 01.06 | Electric heating resistors, for the manufacture of electric smoothing irons, electric frying pans, electric hot trays, electric sandwich makers, electric coffee makers and glass-top hobs and glass-top stoves of heading no. 85.16 | Full duty |

The industry, market, and competitive position

- The firm is situated in Wynberg in Gauteng. The applicant is a leading low-cost, high-volume manufacturer, importer and exporter of small electric appliances and one of South Africa's leading distributors of consumer electronics. The applicant manufactures wiring accessories, heaters, steam irons and dry irons, kettles, hotplates and stoves, electric fry pans, vacuum cleaners and other appliances. Other manufacturers of small electric appliances in the SACU are Amalgamated Appliances (Pty) Ltd, Satchwell Controls and Estia (Pty) Ltd.
- Nu-World has invested in excess of R22 million in tools and dies, R24 million in plant and machinery i.e. moulding machines, die-casting machines, R12 million in finished stock, work in progress and raw materials. According to the applicant it follows a policy of integrating as much of the components as possible and tries to keep its costs under control by producing as much of the products in-house.
- The size of the market in the SACU region for the products in question is as follows:

| Particulars | Quantity (Units) | Value (Rand) |
|------------------|------------------|--------------|
| Spiral hotplates | 1 000 000 | 72 270 000 |
| Jug kettles | 2 000 000 | 105 280 000 |
| Frying pans | 70 000 | 7 172 200 |

- The applicant has the capacity to serve 75% of the estimated market of spiral hotplates and electric kettles with plastic bodies. Regarding electric frying pans the applicant can serve the total market.

11. The applicant experiences strong competition from Asian countries and the factory is currently not running at full production capacity.
12. The applicant paid duties to the amount of R 1 190 276 in 2005 on the components imported.

Comments on the application

13. Satchwell Controls is part of the Alstom Group and objected to the application. The description for "heating resistors (8516.80.10) for the manufacture of spiral hotplates" could be misleading as its factory in Paarl manufactures spiral plates for other appliance manufacturers. Satchwell Controls maintained that the requested rebate provision would cause serious injury to its operations.
14. After consultation between Nu-World and Alstom (Satchwell Controls), consensus was reached on a wording for the rebate provision that suited both parties. It was agreed that the tariff heading description should read as follows: "Rebate of duty on heating resistors for the manufacture of single or double spiral-plate tabletop cookers not exceeding 1000 watt."

Findings

15. The Commission found that the specific components imported are not manufactured in the SACU region.
16. The Commission also found that the applicant experiences strong competition from Asian countries. A rebate of the duty would assist the applicant to become more competitive.

Recommendation

17. In the light of the foregoing, the Commission recommends that:

(a) The existing rebate item 316.09/8516.80/01.06 be extended to read as follows: "Electric heating resistors for the manufacture of electric smoothing irons, electric frying pans, electric hot trays, sandwich makers, electric coffee makers, glass-top hobs, glass-top stoves and jug kettles with plastic bodies of heading 85.16."

(b) A rebate of the full duty provisions be created in Schedule No. 3 to the Customs and Excise Act, 1964, as follows –

" Electric heating resistors with a rated heating capacity not exceeding 1000 watt for the manufacture of single or double spiral-plate tabletop cookers of heading 85.16 " and

" Glass lids for the manufacture of frying pans of heading 85.16."