

Report No. 213

Creation of a rebate provision for hoses for the manufacturing of automotive air-conditioning systems

The **International Trade Administration Commission of South Africa** herewith presents its Report No. 213: Creation of a rebate provision for hoses of 40.09 for the manufacturing of automotive air-conditioning systems. with recommendation.



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ITUMELENG MASEGE
ACTING CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 213

CREATION OF A REBATE PROVISION FOR HOSES FOR THE MANUFACTURING OF AIR-CONDITIONING SYSTEMS.

Synopsis

Smiths Manufacturing (Pty) Ltd applied for the creation of a rebate provision for the importation of hoses of tariff heading 40.09 for the manufacturing of automotive air-conditioners. The product is cut to the required size in length by the applicant and then attached to aluminium fittings for use in an automotive air-conditioning system. The main components of an air conditioning system are the compressor, condenser and an evaporator.

The Commission found that the hoses required by the applicant are not manufactured in the SACU. The Commission therefore recommended that a rebate provision be introduced.

INTRODUCTION

1. Smiths Manufacturing (Pty) Ltd applied for the creation of a rebate provision for hoses for the manufacture of air-conditioners. The application was published in the Government Gazette of 13 October 2006 for comment by interested parties.

REASONS FOR APPLICATION

2. As reason for the application, the applicant stated that there is no domestic company that has the capability to manufacture these specific hoses in the SACU.

3. The components imported are classifiable as follows:

Heading	Sub Heading	Description	Rate of Duty		
			General	EU	SADC
40.09	4009.31	Tubes, pipes and hoses of vulcanized rubber (Excluding Hard Rubber), with or without their fittings (for example, joints, elbows, flanges): without fittings	15%	11.25%	Free
	4009.41	Tubes and pipes, of vulcanized rubber, reinforced or combined with other materials (excluding metal or textile materials), without fittings, for the manufacture of blower and ram type heaters, ventilation units and air-conditioning systems, identifiable for use solely or principally with motor vehicles with water cooled engines	15%	11.25%	Free
	8415.90.10	Parts of the air conditioning machines, comprising a motor driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated Identifiable for use solely or principally with the machines of subheading 8415.10.40	15%	Free	Free
	0000.01	Goods of any description (excluding radiator and heater cores), for the manufacture of blower and ram type heaters and radiator cores and ventilating units identifiable for use solely or principally with motor vehicles with water-cooled engines			

THE INDUSTRY, MARKET AND COMPETITIVE POSTION

4. The applicant's estimated size of the present SACU market for hoses is 328 000 pieces, whilst the sales value per annum is estimated at R36 million. The total number of employees at Smiths Manufacturing is 361 of which 59 are those directly allocated to the hose or pipe assembly.
5. In the manufacturing process, the hose is cut to the required size in length by the applicant and then attached to the aluminium fittings for use in an air-conditioning system.
6. The total investment of the applicant is estimated at R88.9 million while the investment in the hose assembly is R7,3 million.

COMMENTS ON THE APPLICATION

7. No comments or objections were received.

FINDINGS

8. The Commission considered that the components imported are not manufactured in the SACU and that the creation of an additional rebate provision under Schedule 3 of the Customs and Excise Act is justified.

RECOMMENDATION

9. In the light of the foregoing, the Commission recommends that a rebate provision be created in Schedule 3 to the Customs and Excise Act, 1964, as follows: " Tubes, pipes and hoses of vulcanized rubber (excluding hard rubber), without fittings, classifiable in tariff heading 40.09, for the manufacture of air-conditioning systems identifiable for use solely or principally with motor vehicles".