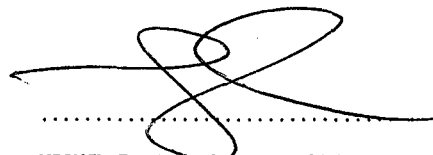


## **Report No. 191**

# **Rebate of the duty on threaded bungs and gaskets for steel drums, whether or not presented with bung covers**

The Commission herewith presents Report No. 191: **REBATE OF DUTY ON THREADED BUNGS AND GASKETS FOR STEEL DRUMS, PACKED IN SETS, WHETHER OR NOT PRESENTED WITH BUNG COVERS**, with recommendation.



ITUMELENG MASEGE

ACTING CHIEF COMMISSIONER

PRETORIA

24.10.2006

**REPUBLIC OF SOUTH AFRICA**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**REPORT NO. 191**

**REBATE OF DUTY ON THREADED BUNGS AND GASKETS FOR STEEL DRUMS,  
PACKED IN SETS, WHETHER OR NOT PRESENTED WITH BUNG COVERS**

**Synopsis**

Greif South Africa (Pty) Ltd, applied for a rebate of duty on threaded bungs and flange gaskets packed in sets, for steel drums, whether or not presented with bung covers. The components are used in the manufacture of drums for the oil industry, petroleum industry and chemical industry. The Commission found that the components are not manufactured in the SACU region. A rebate of duty will have a cost-reducing impact on downstream industries. The Commission therefore recommended that a rebate of duty on threaded bungs and gaskets for steel drums, packed in sets, whether or not presented with bung covers, be introduced.

**Introduction**

1. Greif South Africa (Pty) Ltd applied for a rebate of duty on threaded bungs and flange gaskets packed in sets for steel drums, whether or not presented with bung covers. The application was published in the Gazette of 30 June 2006 for comment by interested parties.

**Reason for the application**

2. As reason for the application, the applicant stated that the components used in the manufacture of drums are not manufactured in SACU. A rebate of the duty on these components will assist the applicant to reduce prices to downstream industries.

**The application and tariff position**

3. The applicant requested that the threaded bungs (8309.90.05) and flange gaskets (8484.10.90) packed in sets for steel drums, whether or not presented with bung covers (8309.90.05) be imported under rebate of the duty for the manufacture of steel drums.
4. The components imported are currently classifiable under Schedule No. 1 of the Customs and Excise Act, as follows:

Heading	Subheading	Article Description	Rate of duty		
			General	EU	SADC
83.09		Stoppers, caps and lids (including crown corks, screw caps and pouring stoppers), capsules for bottles, threaded bungs, bung covers, seals and other packing accessories, of base metal:			
	8309.10	Crown corks	5%	Free	Free
	8309.90	Other:			
	8309.90.05	Of iron or steel	5%	3,75%	Free
	8309.90.90	Other	14%	10,5%	Free
84.84		Gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal; sets or assortments of gaskets and similar			

		joints, dissimilar in composition, put up in pouches, envelopes or similar packings; mechanical seals:			
	8484.10	Gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal:			
	8484.10.90	Other:	Free	Free	Free

5. The end product namely steel drums is classifiable under tariff subheadings 7310.10, 7310.21 and 7310.29 as follows:

Heading	Subheading	Article description	Rate of duty		
			General	EU	SADC
73.10		Tanks, casks, drums, cans, boxes and similar containers, for any material (excluding compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 litres, whether or not lined or heat-insulated,			

		but not fitted with mechanical or thermal equipment:			
	7310.10	Of a capacity of 50 litres or more	Free	Free	Free
	7310.2	Of a capacity of less than 50 litres:			
	7310.21	Cans which are to be closed by soldering or crimping	Free	Free	Free
	7310.29	Other	Free	Free	Free

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

6. The firm is situated in Vanderbijlpark and has factories in Mobeni, Epping Dust and Ezakheni. The total number of workers employed is 315 of which 162 workers are allocated to the manufacture of the end product namely the completed drum.
7. In the manufacturing process the imported threaded bungs with bung covers are screwed into the container to form a liquid tight seal. The steel used in the manufacturing of the drum is sourced locally from Mittal.
8. The amount invested in the firm over the period 2003 to 2005 is R46.7 million of which R12.6 million is allocated to the product under discussion. In Greif's five year vision plan an amount of R 10 million will be invested in a new moulder.
9. The size of the market is estimated at approximately 1 996 000 drums with a sales value of approximately R 259 480 000. The applicant has the production capacity to serve 47% of the estimated market.
10. The applicant sells drums of 210 litres, 223 litres and 225 litres. The 210 litre drums make up 90% of the applicant's business.
11. The end users of the steel drums include Barloworld, Bayer (Pty) Ltd, Illovo Sugar, B.P. Southern Africa, Total Oil, Sasol, Crest Chemicals, AECI Coating, Improchem, Senmin (Pty) Ltd, Blendcor (Pty) Ltd, Shell Chemicals, Shell SA, Chevron, Engen, NCP, AGIP Lubricants, Air BP (Pty) Ltd, and Unico MNF.
12. According to the applicant the end products (empty drums) are not imported which means that the applicant does not experience import competition. The

applicant's local competitors are Rheem SA, Peninsula Drums and Ethekeweni Drums.

### **Comments on the application**

13. No comments or objections were received.

### **Findings**

14. The Commission is of the view that as the components imported are not manufactured domestically, the creation of a rebate provision under Schedule 3 of the Customs and Excise Act is justified. This rebate provision could also be used by the applicant's competitors.

### **Recommendation**

15. In the light of the foregoing, the Commission recommends that a rebate of the full duty provision be created in Schedule No. 3 to the Customs and Excise Act, 1964, for "Threaded bungs of tariff subheading 8309.90.05 and gaskets of tariff subheading 8484.10.90 for steel drums, packed in sets, whether or not presented with bung covers".

[T/5/2/15/2/1 (4/2006)]