

**REPORT NO. 181**

**INCREASE IN THE DUTY ON CERTAIN TOOLS CLASSIFIABLE**

**UNDER TARIFF SUBHEADING 8206.00**

The Commission herewith presents Report No. 181: **INCREASE IN THE DUTY ON CERTAIN TOOLS CLASSIFIABLE UNDER TARIFF SUBHEADING 8206.00**, with a recommendation.



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**MR ITUMELENG MASEGE**  
**ACTING CHIEF COMMISSIONER**

**PRETORIA**

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## REPUBLIC OF SOUTH AFRICA

### INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

#### REPORT NO. 181

### INCREASE IN THE DUTY ON CERTAIN TOOLS CLASSIFIABLE UNDER TARIFF SUBHEADING 8206.00

#### Synopsis

Gedore Tools SA (Pty) Ltd, applied for an increase in the duty on certain tools classifiable under tariff subheading 8206.00. This tariff subheading allows tools of two or more of the headings in the range 82.02 to 82.05, that are put in sets for retail sale, to be imported duty free. This range of tariff headings includes all products that Gedore Tools manufactures and supplies and carry duties of 20% ad valorem. An anomaly exists in that certain tools, that are imported under tariff subheadings 82.04 to 82.05 carry duties of 20% ad valorem, while similar products imported in a set form for retail sale under tariff subheading 82.06 carry no duty. The Commission found that as a result of the anomaly the duty protection afforded the applicant has been eroded, against the background of fierce competition from East Asia. In order to close this tariff loophole, the Commission recommended that the general rate of duty on certain tools, classifiable under tariff subheading 8206.00, be increased to 20% ad valorem, the same as the duty applicable to similar tools, and which is the WTO bound ceiling rate for this heading.

#### **Introduction**

1. Gedore Tools SA (Pty) Ltd applied for an increase in the duty on certain tools classifiable under tariff subheading 8206.00, from free of duty to 20% ad valorem. The applicant supplies a wide range of quality tools to the industrial sector. The application was published in the Government Gazette of 7 April 2006 for comment by interested parties.

### The application and tariff position

2. As reason for the application, the applicant stated that an anomaly exists in that certain tools classifiable under tariff subheading 82.04 to 82.05 carry duties of 20% ad valorem, whilst if similar products are imported in a set form for retail sale under tariff subheading 8206.00, no duties are applicable. Therefore, tariff subheading 8206.00 lends itself to abuse in that importers can bring in dutiable products disguised as sets and then break them down later for sale as loose items. The applicant argues that it is experiencing fierce competition from countries in East Asia and that the tariff loophole renders the protective duty of 20% ineffective.
3. The end products manufactured by Gedore Tools are classifiable under tariff subheadings 82.02 to 82.06 as follows:

Heading	Subheading	Article Description	Rates of duty		
			General	EU	SADC
82.02		Hand saws; Blades for saws of all kinds (including slitting, slotting or toothless saw blades):			
	8202.10	Hand saws	Free	Free	Free
	8202.20	Band saw blades:			
	8202.20.20	Of a width of 13 mm or more but not exceeding 40 mm, of high speed bimetal	10%	Free	Free
	8202.20.30	Other, of a width of 4,5 mm or more but not exceeding 32 mm	20%	15%	Free
	8202.20.90	Other	Free	Free	Free
	8202.3	Circular saw blades (including slitting or slotting saw blades):			
	8202.31	With working part of steel	Free	Free	Free
	8202.39	Other, including parts:			
	8202.39.30	With a working part of tungsten carbide and a diameter not exceeding 600 mm	21%	15.75%	Free
	8202.39.90	Other	Free	Free	Free
	8202.40	Chain saw blades	Free	Free	Free
	8202.9	Other saw blades:			
	8202.91	Straight saw blades for working metal	20%	15%	Free
	8202.99	Other	Free	Free	Free

82.03		Files, Rasps, Pliers (Including cutting pliers), Pincers, Tweezers, Metal cutting shears, Pipe-cutters, Bolt croppers, Perforating punches and similar hand tools:			
	8203.10	Files, rasps and similar tools	15%	Free	Free
	8203.20	Pliers (including cutting pliers), pincers, tweezers and similar tools:			
	8203.20.10	Waterpump pliers	20%	15%	Free
	8203.20.20	Pliers of a length exceeding 110 mm but not exceeding 300 mm, the following: Side-cutting pliers with serrated jaws (with or without pipe grips), snipe-nose pliers with side cutters and serrated jaws, gas pliers and slip-joint pipe-grip pliers (including bent-nose type)	20%	15%	Free
	8203.20.30	Fencing pliers of a length 110 mm but not exceeding 320 mm; diagonal cutting pliers (not lever assisted) of a length exceeding 110 mm but not exceeding 250 mm; circlip pliers (cotter pliers) of a length exceeding 150 mm but not exceeding 250 mm	20%	15%	Free
	8203.20.40	Adjustable self-locking pliers and grips	20%	15%	Free
	8203.20.90	Other	Free	Free	Free
	8203.30	Metal cutting shears and similar tools	Free	Free	Free
	8203.40	Pipe-cutters, bolt croppers, perforating punches and similar tools	Free	Free	Free
82.04		Hand-operated spanners and wrenches (Including torque meter wrenches but excluding tap wrenches); Interchangeable spanner sockets, with or without handles:			
	8204.1	Hand-operated spanners and wrenches:			
	8204.11	Non-adjustable:			
	8204.11.15	Double open end spanners of all sizes up to 36 mm; ring	20%	15%	Free

		spanners of all sizes up to 36 mm; combination ring and open end spanners of all sizes up to 36 mm			
	8204.11.40	Socket accessories (for example, extensions, ratchet handles, speed braces, sliding T-handles, universal joints and swivel handles) with a drive of 9 mm or more but not exceeding 21 mm (excluding torque wrenches)	20%	15%	Free
	8204.11.90	Other	Free	Free	Free
	8204.12	Adjustable:			
	8204.12.10	Pipe wrenches (excluding chain pipe wrenches)	20%	15%	Free
	8204.12.20	Wrenches (excluding torque wrenches) with a length of 140 mm or more but not exceeding 310 mm (including parts, whether or not worked)	20%	15%	Free
	8204.12.90	Other	Free	Free	Free
	8204.20	Interchangeable spanner sockets, with or without handles:			
	8204.20.40	With a drive of 9 mm or more but not exceeding 21 mm	20%	15%	Free
	8204.20.90	Other	Free	Free	Free
82.05		Hand tools (Including glaziers diamonds), not elsewhere specified or included; Blow lamps; Vices, clamps and the like (Excluding accessories for and parts of, machine tools) Anvils; Portable forges; Hand or pedal-operated grinding wheels with frameworks:			
	8205.10	Drilling, threading or tapping tools	Free	Free	Free
	8205.20	Hammers and sledge hammers:			
	8205.20.10	Steel headed hammers	20%	15%	Free
	8205.20.90	Other	Free	Free	Free
	8205.30	Planes, chisels, gouges and similar cutting tools for working wood	Free	Free	Free
	8205.40	Screwdrivers:			
	8205.40.10	Star-point screwdrivers (exclu	20%	15%	Free

		ding ratchet and screwdrivers with screwholding clamps)			
	8205.40.20	Flat-point screwdrivers with a width at the point of 3 mm or more but not exceeding 9,5 mm (excluding ratchet screw drivers and screwdrivers with screwholding clamps)	20%	15%	Free
	8205.40.40	Sets with a variety of screwdrivers which contain at least one star-point screwdriver or one flat point screwdriver with a width at the point of 3 mm or more but not exceeding 9, 5 mm	20%	15%	Free
	8205.40.90	Other	Free	Free	Free
	8205.5	Other hand tools (including glaziers' diamonds):			
	8205.51	Household tools	Free	Free	Free
	8205.59	Other:			
	8205.59.05	Riveting tools for blind riveting; brick bolsters; cold chisels; punches; hacking knives; soldering irons	20%	15%	Free
	8205.59.90	Other	Free	Free	Free
	8205.60	Blow lamps	Free	Free	Free
	8205.70	Vice, clamps and the like:			
	8205.70.10	Bench and carpenters' vices (excluding table, leg, pipe and swivel vices, not being bench vices with detachable swivel bases)	20%	15%	Free
	8205.70.20	Wood working clamps and cramps	20%	15%	Free
	8205.70.30	Self-locking welding clamps self-locking "c" clamps	20%	15%	Free
	8205.70.90	Other	Free	Free	Free
	8205.80	Anvils; portable forges; hand or pedal-operated grinding wheels with frameworks	Free	Free	Free
	8205.90	Sets of articles of two or more of the foregoing subheadings	Free	Free	Free
82.06	8206.00	Tools of two or more of the headings nos. 82.02 to 82.05 put up in sets for retail sale	Free	Free	Free

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

4. The manufacturing facilities of the applicant are situated in New Germany, KwaZulu-Natal. The total number of employees is 385 of which 352 workers are factory workers. Gedore Tools SA (Pty) Ltd is the only manufacturer of these tools in the SACU region and manufactures over 1 000 different products and sizes.
5. The estimated amount invested is approximately R4 million in land and buildings and R31 million in machinery and equipment. As Gedore Tools SA (Pty) Ltd is part of a multi-national company, the firm has direct access to the latest technology used. This includes hardening technology, CNC sockets machines, CNC machines to manufacture tools and dies and vibro polishing machines.
6. Gedore Tools has to import certain specialised products, components and materials that fall under tariff headings 82.02 to 82.05 at 20% ad valorem. Retailers who are bringing in equivalent products, but in a form of a set, for retail sale currently do not pay the duty, as these products are classifiable under tariff subheading 8206.00, at free of duty. Gedore also combines its products in a set and tool assortment like screwdrivers that are dutiable, if imported separately.
7. Total imports of tools classifiable under tariff subheading 8206.00 amounted to approximately R40 million in 2005.
8. In the production process, specialized steel procured from Mittal Steel SA is hot forged, trimmed and machined to take on the form of the finished product. Thereafter, the product is carefully heat-treated in a controlled high temperature environment, ground and nickel-chrome plated to form the finished product.
9. The applicant has the production capacity to supply approximately 62% of the SACU market of a combination of industrial tools and do-it-yourself (DIY) tools.
10. The applicant estimates that the total size of the tooling market in the SACU is worth about R200 million per annum. The (DIY) market segment is estimated at about 20% of the above value and therefore accounts to approximately R40 million. The applicant estimates that his market share in the DIY market segment is approximately 15%.



11. The applicant argues that it experiences significant price disadvantages *vis-à-vis* producers in East Asia.

12. Total exports to neighbouring countries like Zambia, Malawi and Mozambique amounted to approximately R8 million in 2005.

#### **Comments on the publication**

13. Nine firms objected to the application that was published in the Government Gazette for comment. The importers argued that most of the tools imported under tariff subheading 8206.00 are for the relatively cheap DIY market, while the applicant mainly serves a different market segment namely the more expensive high quality industrial market.

14. According to Gedore Tools, the firm does sell in the DIY market as well as into the professional market for artisans. The applicant does not import a significant amount of products under tariff subheading 8206.00 as the firm supplies sets which are made up of loose items that are made locally and supplemented with various imported products like screwdrivers, pliers and chisels etc. Importers also make use of tariff subheading 8206.00 to import industrial tools at free of duty in direct competition with the tools the applicant manufactures.

#### **Findings**

15. The Commission found that an anomaly exists in that certain tools classifiable under tariff headings 82.02 to 82.05 carry duties of 20% ad valorem, whilst if similar products are imported in a set form, for retail sale under tariff subheading 8206.00, no duty is applicable. To eliminate the loophole, the duty of 20% ad valorem which is also the WTO bound ceiling rate for this category of products, should be made applicable to tariff subheading 8206.00.

#### **Recommendation**

16. In the light of the foregoing, the Commission recommends that the general rate of duty on tools of two or more of the Headings Nos. 82.02 to 82.05, put up in sets for retail sale, classifiable under tariff subheading 8206.00, be increased from free of duty to 20% ad valorem.