

## Report No. 138

# Reduction in the duty on seamless pipes of iron or steel

**The International Trade Administration Commission herewith presents Report  
No. 132 : REDUCTION IN THE DUTY ON SEAMLESS PIPES OF IRON  
OR STEEL, with a recommendation.**



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**Itumeleng Masege**  
**Acting Chief Commissioner**

**PRETORIA**  
Date: 30.8.05

**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION**

**REPORT NO: 132**

**REDUCTION IN THE DUTY ON SEAMLESS PIPES OF IRON OR STEEL**

**Synopsis**

The Commission received an application for a reduction in the duty on seamless pipes of iron or steel. The Commission found that these products are not manufactured in the Southern African Customs Union (SACU) and a reduction in duty would lower the cost of importation to the benefit of downstream manufacturing. The Commission therefore recommends that the duty on seamless pipes or steel be reduced to free of duty.

**1. Introduction**

Macsteel Trading (Pty) Ltd applied for a reduction in the rate of duty on the imported seamless pipes of iron or steel known as hollow profiles from 10% *ad valorem* to free of duty. Hollow profiles, also known as mechanical tubing, are seamless steel tubes that are primarily used in the manufacture of various components in the mechanical and engineering fields. The application pertains to seamless tubes of a wall thickness exceeding 25mm or and outside cross-sectional dimension exceeding 170mm. The application was published for comments in the Government Gazette of 18<sup>th</sup> May 2005.

As reason for the application, the applicant stated that the input costs to their customers in the Southern Africa Customs Union (SACU) could be reduced by approximately 10% should the duty be removed. Further, the current duty is not protecting any locally produced

products because there is no local manufacturer of these products in SACU.

Currently these products are dutiable at 10% and are classifiable under tariff subheadings 7304.39.35 and 7304.59.45 as follows:

Heading	Sub-Heading	Article Description	Rates of Duty		
			General	EU	SADC
73.04	7304.39.35 <i>(iron or non alloy steel)</i>	Of a wall thickness exceeding 25mm or an outside cross-sectional dimension exceeding 170 mm	10%	Free	Free
	7304.59.45 <i>(stainless steel)</i>	Of a wall thickness exceeding 25mm or a cross-sectional dimension exceeding 170mm	10%	Free	Free

## 2. Industry and the market

There are no producers of this product in SACU. Products that could compete with these seamless pipes of iron or steel are solid bars which have to go through various procedures before they are acceptable to the engineering field. The considerable running time on machining and labour costs makes the solid bar route too expensive.

### **3. Comments on the publication**

There were two industry participants who supported the application. The respondents argued that the retention of the duty will serve no purpose other than to increase the cost of the product to the SACU industry. They also commented that the duty-free provision of these products would serve developmental objectives.

### **4. Findings**

In considering the application the Commission took into account that these types of seamless pipes of iron and steel are not manufactured in SACU. There are also no locally manufactured suitable substitute products for these products.

A reduction in the rate of duty on certain seamless pipes of iron or steel would contribute in reducing costs to importers and downstream manufacturers.

### **5. Recommendation**

The Commission recommends that Schedule No.1 of the Customs and Excise Act, be amended by reducing the rate of duty on seamless pipes of iron or steel classifiable under tariff sub-headings 7304.39.35 and 7304.59.45 from 10% ad valorem, to free of duty.

[T5/2/15/2/1 (33/2003)]