




International Trade Administration Commission of South Africa

Report No. 4

Rebate of the full duty on crepe fabrics used in the manufacture of adhesive dressings

**The International Trade Administration Commission herewith presents its
Report No. 4: REBATE OF THE FULL DUTY ON CREPE FABRICS USED IN
THE MANUFACTURE OF ADHESIVE DRESSINGS**


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**CHIEF COMMISSIONER:
INTERNATIONAL TRADE
ADMINISTRATION COMMISSION OF
SOUTH AFRICA**

PRETORIA

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INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 4

REBATE OF THE FULL DUTY ON CREPE FABRICS USED IN THE MANUFACTURE OF ADHESIVE DRESSINGS.

Synopsis

BSN Medical applied for rebate of the full duty on woven fabrics of cotton dyed plain weave fabrics and fabrics of yarns with different colors imported for the manufacture of adhesive dressings because certain provisions created at the applicant's request were not useful. The reason for this being that the fabrics received by the applicant in some cases differ from the fabrics allowed in terms of the existing rebate provisions. The rebate items requested and withdrawal of the existing provisions, which were not useful, were published in the Government Gazette for comment. The Textile Federation initially objected to the application but after a more detailed specification was submitted, the Federation confirmed that none of its members are producing the fabric in question. The applicant is currently paying an import duty of 19 per cent ad valorem on the fabric imported while the end product can be imported duty free. Furthermore, the Commission found that the duty on the imported fabric as percentage of the ex-factory selling price of the end product is significant. The Commission recommended that rebate items be created in respect of tariff headings 5208.32, 5208.42, 5210.11, 5110.31 and 52110.41 for the manufacture of adhesive dressings. These provisions do however not provide in all of the needs of the applicant. An investigation by SARS with regard to the correctness of the tariff classifications in respect of fabrics to be imported for the manufacture of adhesive dressings has not been finalised. Pending the outcome of this investigation, the Commission recommends that the existing rebate provisions be maintained.

The application and the tariff position

BSN Medical, which is a 50 % joint venture between the medical companies Smith and Nephew and Beiersdorf, applied for full rebate of the duty on woven fabrics of cotton, dyed plain weave fabrics and fabrics of yarns with different colors classifiable under tariff subheadings 5208.32.50, 5208.42.50, 5210.11.90, 5210.31.90, 5210.41.90 for the manufacture of adhesive dressings.

2. The applicant cited the following as pertinent to its application:

2. This is not a new application, but merely an extension of the existing manufacturing rebate provisions. The Board on Tariffs and Trade previously recommended that manufacturing rebate provisions be created. At the time of the application for the rebate provisions, the applicant did not obtain written tariff determinations from SARS. As a consequence, there is doubt over the use of the existing manufacturing rebates in respect of the imported fabrics.
- 2.2 The imported end product is not subject to duty, whilst the imported fabrics are subject to duty. As a consequence, the applicant has to compete on an unequal footing with the imported product.
- 2.3 The applicant investigated the possibility of sourcing the product domestically, but no domestic manufacturer is able to do so.
- 2.4 The applicant recently invested in the expansion of its manufacturing facility.

3. The application was published on 18 October 2002 for general comment as follows:

“A. Rebate of the duty on:

other woven fabrics of cotton, plain weave, unbleached, classifiable under tariff subheading 5210. .90;

other woven fabrics of cotton, of a mass not exceeding 130g/ m² classifiable under tariff subheading 5208.32.50;

other woven fabrics of cotton, dyed, plain weave, classifiable under tariff subheading 5210.31.90;

other woven fabrics of cotton, of yarns of different colors, plain weave, classifiable under tariff subheading 5210.41.90; and

other woven fabrics of cotton, plain weave, of a mass exceeding 100 g/m², classifiable under tariff subheading 5208.42.50

for the manufacture of adhesive bandages, classifiable under tariff subheading 3005.10”

B. Withdrawal of rebate provisions:

Rebate items 306.02/5210.11/01.06; 306.02/5514.11/01.06; and 306.02/5516.21/01.06, for the manufacture of adhesive bandages.”

The industry and the market

4. The only companies in the SACU manufacturing the end products in question are BSN Medical based in Pinetown and Quality Safety based in Vereeniging.
5. The total investment in the industry amounts to R32 million and a total number of 795 factory workers are employed in the industry.
6. The applicant has the capacity to produce adhesive dressings to the value of R 88 million. The present SACU market is estimated at R 23 million adhesive bandages per annum and for other bandages at R18 million per annum.
7. The duty as percentage of the ex-factory selling price ranges between 8,1 percent and 5,6 percent which is regarded as significant.
8. According to the price information submitted, the applicant experiences a price disadvantage in respect of two of the products manufactured.

Comments on the application

9. The Textile Federation on behalf of its members initially objected to the application. The reason being that such provisions would erode the protection afforded to the local textile industry and would create loopholes.
10. After a more detailed specification of the fabric in question was submitted by the applicant to the Federation, the Federation confirmed that none of its members are producing the type of fabric specified. They commented that they do not object to the application provided that the rebate items are described in such a way that the rebate provisions cannot be abused.

Consideration of the application

- . The applicant was not able to utilize the rebate items 306.02/5210.11/01.06, 306.02/5514.11/01.06 and 306.02/5516.21/01.06 created specifically for the manufacture of adhesive dressings. However, the applicant is still waiting for a final outcome of an investigation by South African Revenue Services (SARS) with regard to the tariff classification of the fabrics imported.
12. The Commission is also of the opinion that the rebate provisions requested by the applicant do not meet the requirements of the applicant in terms of the range of fabrics needed to be imported. The Commission is therefore of the opinion that the existing rebate provisions be retained.
13. The applicant's inputs are subject to customs duty with a minimum of 19 per cent ad valorem whilst the end product can be imported duty free.

14. Attempts by the applicant to source this cloth locally proved futile. According to the applicant only a limited number of companies worldwide have the technical capability to manufacture the fabric in question.
15. The duty expressed as a percentage of the ex factory selling price can be regarded as significant.
16. The applicant experiences fierce competition from similar imported end products.

Recommendation

17. The Commission recommends that the following rebate provisions be created:

Tariff heading	Description
5208.32	Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, dyed, in plain weave, of a mass exceeding 100 g/m ² but not exceeding 130 g/m ² , for the manufacture of adhesive dressings of subheading 3005.10
5208.42	Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of yarns of different colors, in a plain weave, of a mass exceeding 100 g/m ² but not exceeding 130 g/m ² , for the manufacture of adhesive dressings of subheading 3005.10
5110.31	Woven fabrics of cotton, containing less than 85 per cent or by mass of cotton, mixed mainly with man-made fibers, dyed in a plain weave, of a mass exceeding 130 g/m ² but not exceeding 200 g/m ² , for the manufacture of adhesive dressings of subheading 3005.10
5210.41	Woven fabrics of cotton, containing less than 85 per cent or by mass of cotton, mixed mainly with man-made fibers, of yarns of different colors, in a

	plain weave , of a mass exceeding 130 g/m ² but not exceeding 200 g/m ² , for the manufacture of adhesive dressings of subheading 3005.10
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18. The Commission recommends that rebate items 306.02/5210.11/01.06; 306.02/5514.11/01.06 and 306.02/5516.21/01.06 be retained.

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