

REPORT NO. 488

**INCREASE IN THE RATE OF CUSTOMS DUTY ON CERTAIN HELICAL  
SPRINGS**

The International Trade Administration Commission of South Africa herewith presents its Report No. 488: **INCREASE IN THE RATE OF CUSTOMS DUTY ON CERTAIN HELICAL SPRINGS**, with recommendations.



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**SIYABULELA TSENGIWE**  
**CHIEF COMMISSIONER**

27.11.2014

**REPUBLIC OF SOUTH AFRICA**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**REPORT NO. 488**

**INCREASE IN THE RATE OF CUSTOMS DUTY ON CERTAIN HELICAL SPRINGS**

**Synopsis**

Bedding Component Manufacturers (Pty) Ltd applied for an increase in the rate of customs duty on certain helical springs, classifiable under tariff subheading 7320.20, from 5% ad valorem to the WTO-Bound rate of 30% ad valorem.

The Commission considered the application in light of the information at its disposal and found that the domestic industry manufacturing helical springs experiences significant price disadvantages vis-à-vis foreign producers exporting the product to SACU.

The Commission found that the domestic industry suffered a considerable decline in production and market share, profit levels and capacity utilisation.

The Commission concluded that tariff support to the level of 30% *ad valorem* for the domestic industry manufacturing helical springs would considerably improve its competitive position and would enable it to utilise its under-utilised production capacity resulting in security of volumes and economies of scale. Following the tariff support, the Commission will conduct a review of the duty structure, three (3) years from the date of implementation.

**THE APPLICATION AND TARIFF POSITION**

1. Bedding Component Manufacturers (Pty) Ltd applied for an increase in the rate of customs duty on certain helical springs, classifiable under tariff subheading 7320.20, from 5% *ad valorem* to the WTO-Bound rate of 30% *ad valorem*.

2. The applicant is a Johannesburg-based company that specialises in the manufacturing of products for the bedding industry such as inner-spring mattress units, sprung foundations, glides and corner guides, and bedding parts.
  
3. As reasons for the application, the applicant stated the following:
  - Customers are importing the subject products at very low prices;
  - The raw material costs are higher than the imported final product, making the industry uncompetitive; and
  - In 2008, the applicant employed 500 people in its Johannesburg and Durban branches. However, due to low-priced imports and lost customers, the Durban branch had to be closed. This resulted in retrenchments of 250 employees. The employment numbers have since been further reduced to 145 due to the company's inability to compete with low-priced imports.
  
4. The application was published in the Government Gazette for comments by interested parties, as follows:

**Increase in the rate of customs duty on:**

*“Helical springs classifiable under tariff subheading 7320.20 from 5% to 30% ad valorem, by way of creating an additional 8-digit tariff subheading under 7320.20 for: Helical springs with a wire diameter of more than 1.32mm but not exceeding 2.43mm.”*

5. The tariff structure for the subject product is as follows:

**Table 1: Current tariff structure**

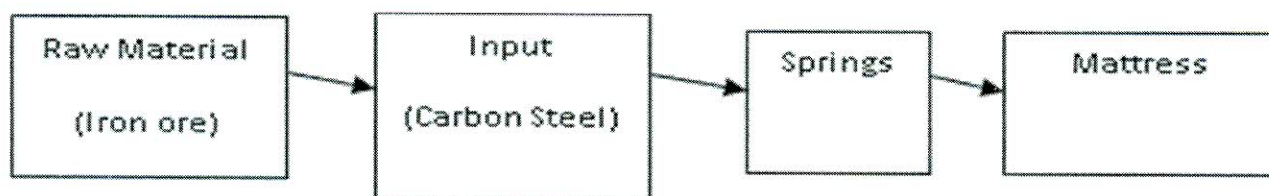
Tariff heading	Tariff subheading	Description	Stats unit	Rate of duty			
				General	EU	EFTA	SADC
73.20		Springs and leaves for springs, of iron or steel:					
	7320.20	Helical springs	Kg	5%	Free	1.5%	Free

Source: SARS

6. The WTO bound rate is 30% *ad valorem*.

## INDUSTRY AND MARKET

7. A helical spring is a mechanical device that is typically used to store energy and subsequently release it, to absorb shock, or to maintain a force between contacting surfaces. It is made of an elastic material formed into the shape of a helix which returns to its natural length when unloaded.
8. The following diagram shows the product value chain in the manufacturing process.



9. There are currently five local manufacturers of helical springs in SACU namely:- The applicant, King Koil Springs CC, MSM (Pty) Ltd, L&P Springs (Pty) Ltd, Kieral Spring (Ltd) Pty, and O.A.L Spring Manufacturers (Pty) Ltd.
10. Notable importers of helical springs to the SACU market include:- Aroball Investments (Pty) Ltd, Cosmo Bedding (Pty) Ltd, Quality Springs CC, Quality Bedding (Pty), Sleep Joy Bedding CC, and Bedazzle Bedding CC.
11. Tariff subheading 7320.20 includes other products that do not form part of the application. Therefore the import statistics were not useful in determining the exact trends regarding inflows of the helical springs under consideration.

## COMPETITIVE POSITION

12. According to the information at the Commission's disposal, the applicant experiences significant price disadvantages *vis-à-vis* foreign manufacturers of the subject product.

## COMMENTS RECEIVED

13. Comments supporting the application were received from Bravo Group Manufacturing (Pty) Ltd, O.A.L Manufacturers (Pty) Ltd and Kieral Springs (Pty) Ltd. The support revolved around the potential for increasing SACU industrial capacity and the creation of sustainable jobs. Objections were received from Simmons (Pty) Ltd and the Botswana Ministry of Trade and Industry, citing the cost-raising impact of higher duties.

## FINDINGS

14. The Commission considered the application in light of the information at its disposal and found that the domestic industry manufacturing helical springs experiences significant price disadvantages vis-à-vis foreign producers exporting the product to SACU.
15. The Commission found that the domestic industry suffered a considerable decline in production and market share, profit levels and capacity utilisation.
16. The Commission concluded that tariff support to the level of 30% *ad valorem* for the domestic industry manufacturing helical springs would considerably improve its competitive position and would enable it to utilise its under-utilised production capacity resulting in security of volumes and economies of scale. Following the tariff support, the Commission will conduct a review of the duty structure, three (3) years from the date of implementation.

## RECOMMENDATION

17. In light of the foregoing, the Commission recommended that the rate of customs duty on helical springs with a wire diameter of more than 1.32 mm but not exceeding 2.43mm classifiable under tariff subheading 7320.20, be increased from 5% *ad valorem* to 30% *ad valorem*.