

REPORT NO.406

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON OUTDOOR
TELEVISION ANTENNAS**

The International Trade Administration Commission of South Africa herewith presents its Report No.406: **INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON OUTDOOR TELEVISION ANTENNAS**, with recommendations.



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

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INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON OUTDOOR ANTENNAS

Synopsis

Ellies Holdings Ltd applied for an increase in the general rate of customs duty on outdoor television antennas classifiable under tariff subheading 8529.10.90, from free of duty to 20% *ad valorem*.

In arriving at its recommendation, the Commission took into consideration the competitive position of the applicant in the face of fierce foreign competition. The Commission found that the applicant is experiencing significant price disadvantages vis-à-vis foreign manufacturers; and that tariff support for the industry manufacturing outdoor television antennas would improve its price-competitive position. The support should enable the industry to achieve economies of scale with a reduction in the unit cost of production.

The Commission therefore recommended that the general rate of customs duty on outdoor television antennas be increased from free of duty to the WTO Bound Rate 20% *ad valorem*, through the creation of an additional 8-digit subheading under tariff subheading 8529.10.

INTRODUCTION

1. Ellies Holdings Ltd applied for an increase in the general rate of customs duty on outdoor television antennas classifiable under tariff subheading 8529.10.90 from free of duty to 20% *ad valorem*, through the creation of an additional 8-digit tariff

subheading.

2. The applicant is a leading Southern African manufacturer, wholesaler, and distributor of electronic products related to television reception, including satellite and terrestrial antenna ranges. The Ellies Group is also a market leader in domestic electrical and industrial audio products, and a major importer of associated products.
3. As motivation for the application, the applicant stated the following:
 - South Africa is in the process of implementing the migration process from analogue to digital broadcasting. The main reason for the application is to exploit the opportunity presented by the Government's implementation of the digital migration programme;
 - The hardware impact of the switch from analogue format signal distribution to digital terrestrial television (DTT) is that television viewers would require television reception hardware to be able to watch television. One of the hardware requirements for DTT is that a specific type of aerial is required to be used with set top boxes for converting the digital signal; and
 - The DTT signals are expected to reach 96% of South African households. The challenge facing the local industry is that the importation of cheap outdoor aerials would have a negative effect on domestic manufacturing and employment opportunities in the industry.
4. The application was published in the Government Gazette of 27 January 2012 for comments by interested parties, as follows;

“Other aerials for reception apparatus for television, whether or not capable of receiving radio-broadcast, (excluding indoors “set-top” antennas with permanently affixed base for placing on top of the television set or another flat surface)”, from free of duty to the WTO Bound Rate 20% ad valorem, through the creation of an

additional 8-digit tariff subheading.

THE TARIFF STRUCTURE

The outdoor antennas are currently classifiable under tariff subheading 8529.10.90 as follows:

Tariff subheading	Description	Unit	Rate of duty			
			General	EU	EFTA	SADC
8529.10	Aerials and aerial reflector of all kinds; parts suitable for use therewith					
8529.10.10	Parabolic aerial reflector dishes of a diameter not exceeding 120 cm	KG	10%	FREE	FREE	FREE
8529.10.90	Other	KG	FREE	FREE	FREE	FREE

INDUSTRY AND MARKET

5. There are five known manufacturers and importers of outdoor television antennas in the SACU namely: Ellies Ltd; Space TV (Pty) Ltd; Poynting Antennas (Pty) Ltd; Tedalex Trading; and Aerialsonic (Pty) Ltd.
6. Ellies has made a substantial investment in setting up a new manufacturing facility to cater for the anticipated demand for outdoor antennas. It is anticipated that further investments will be undertaken depending on the demand.

7. The import and export figures under tariff subheading 8529.10.90 unfortunately include a myriad of different types of antennas ranging from sophisticated aeronautical antennas for use on aircraft, and large parabolic reflectors, to the more mundane type subject to this application. Therefore, the import and export figures cannot be used to derive trends in the trade data as far as television outdoor antennas are concerned. Antennas (all types) to the value of R793 million were imported in 2011 and antennas (all types) to the value of R359 million exported.
8. The SACU market for all types of television antennas is estimated at roughly R500 million per annum of which the vast majority are imported.

COMPETITIVE POSITION

9. According to information at the Commission's disposal, the domestic industry manufacturing outdoor antennas experiences substantive price disadvantages vis-à-vis low-priced imports from abroad.

COMMENTS RECEIVED

10. The application was supported by Altech UEC (Pty) Ltd and Tedalex (Pty) Ltd, two domestic manufacturers within the electronics industry. The Department of Communications also supported the application. A number of importers objected to the application, as did the National Association of Broadcasters due to perceived cost-raising effects.

FINDINGS

11. The Commission found that significant price disadvantages are experienced by the domestic industry and that support for the industry would significantly improve its price competitive position in the face of stiff foreign competition.
12. The support should enable the industry to achieve economies of scale and fully utilise its existing production capacity with a reduction in the unit cost of production. Following the

tariff support, the Commission will monitor the future performance of the industry particularly with respect to production and employment.

RECOMMENDATION

13. In light of the foregoing, the Commission recommended that the general rate of customs duty on outdoor antennas classifiable under tariff subheading 8529.10.90, be increased from free of duty to 20% *ad valorem*, through the creation of an additional 8-digit tariff subheading under tariff subheading 8529.10 as follows:

“Other aerials for reception apparatus for television, whether or not capable of receiving radio-broadcast, (excluding indoors “set-top” antennas with permanently affixed base for placing on top of the television set or another flat surface),” at 20% ad valorem.