

REPORT NO. 411

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON CONICAL STEEL
DRUMS**

The International Trade Administration Commission of South Africa herewith presents its Report No.411: **INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON CONICAL STEEL DRUMS**, 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

REPORT NO.411

INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON CONICAL STEEL
DRUMS

Synopsis

Peninsula Drums CC applied for an increase in the general rate of customs duty on conical steel drums classifiable under tariff subheading 7310.10, from free of duty to the bound rate of 15% *ad valorem*.

The Commission found that price disadvantages vis-à-vis foreign competitors are experienced by the domestic industry and that tariff support would significantly improve the price competitive position of the domestic industry in its early stages of development.

The tariff support should enable the domestic industry to fully utilise its existing production capacity and achieve economies scale.

The Commission recommended that the general rate of customs duty on conical steel drums with a capacity of 235 litres or more, be increased from free of duty to the bound rate of 15% *ad valorem*.

THE APPLICATION AND THE TARIFF POSITION

1. Peninsula Drums CC applied for an increase in the general rate of customs duty on conical steel drums classifiable under tariff subheading 7310.10, from free of duty to the bound rate of 15% *ad valorem*.

2. As motivation for the application, the applicant stated the following:

- There is a growing demand internationally for conical steel drums; and
- Having undertaken the research into the viability of manufacturing these drums domestically and also due to high customer demand for conical steel drums, it decided to make the necessary capital investment.

3. The application was published in the Government Gazette on 17 September 2012 for comments by interested parties as follows:

Increase in the general rate of customs duty on:

“Conical steel drums with a capacity of 235 litres or more”, classifiable in tariff subheading 7310.10, through the creation of an additional 8-digit tariff subheading.

4. Conical steel drums are currently classifiable under tariff subheading 7310.10 as follows:

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
73.10		Tanks, casks, drums, cans, boxes and similar containers, for any material (excluding compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300ℓ, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment:					
	7310.10	Of a capacity of 50ℓ or more	kg	free	free	free	free
	7310.2	Of a capacity less than 50ℓ :					
	7310.21	Cans which are to be closed by soldering or crimping	kg	free	free	free	free
	7310.29	Other	kg	free	free	free	free

INDUSTRY AND MARKET

5. There are four domestic manufacturers of steel and plastic drums, namely Grief South Africa (Pty) Ltd; Rheem South Africa; Bona once Bona twice Drum CC; and Peninsula Drums CC. The latter is the only domestic manufacturer of conical steel drums.
6. The conical steel drums are intended for storage and transportation of liquids and hazardous materials. The flexibility of the structure and dimensions of the conical steel drum makes it more attractive for safe transportation and storage purposes.
7. The subject product is intended for storage and transportation of the following:
 - Agricultural products;
 - Food products in liquid and viscous states;
 - Fruits and vegetable pulps (in conjunction with aseptic bags); and
 - Concentrated liquids and other similar products.
8. Peninsula Drums CC is a newly established manufacturer of conical steel drums in SACU. The applicant's current capacity is 50 000 units per annum. Based on current investment, the production capacity is projected at 620 000 units per annum. With initial tariff support it will be in a position to meet the full SACU market requirements for conical steel drums.

COMPETITIVE POSITION

9. According to information at the Commission's disposal, the domestic industry manufacturing conical steel drums experiences substantive price disadvantages vis-à-vis low-priced competition from abroad.

COMMENTS ON APPLICATION

10. The application attracted no comments or objections.

FINDINGS

11. The Commission found that price disadvantages vis-à-vis foreign competitors are experienced by the domestic industry and that tariff support would significantly improve the price competitive position of the domestic industry in its early stages of development.
12. The tariff support should enable the domestic industry to fully utilise its existing production capacity and achieve economies scale.

RECOMMENDATION

13. In light of the foregoing, the Commission recommends that the general rate of customs duty on conical steel drums with a capacity of 235 litres or more, be increased from free of duty to the bound rate of 15% *ad valorem*.