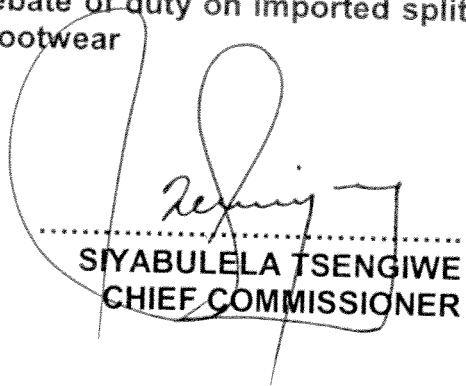


REPORT NO: 418

APPLICATION FOR REBATE OF DUTY ON IMPORTED SPLIT BUFFALO LEATHER FOR THE MANUFACTURE OF SAFETY FOOTWEAR

The International Trade Administration Commission of South Africa herewith presents its **Report No. 418: Application for rebate of duty on imported split buffalo leather for the manufacture of safety footwear**



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

24 JANUARY.....2013

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF
SOUTH AFRICA

REPORT NO. 418

APPLICATION FOR REBATE OF DUTY ON IMPORTED SPLIT BUFFALO
LEATHER FOR THE MANUFACTURE OF SAFETY FOOTWEAR

SYNOPSIS

Bagshaw Footwear, a division of Bolton Footwear (Pty) Ltd, applied for the creation of a rebate provision for imported split buffalo leather used in the manufacture of safety footwear.

As reason for the application, the applicant stated that split buffalo side leather is not produced in the SACU and the current rate of duty is a disadvantage, especially in the face of competition experienced from foreign manufacturers of safety footwear.

The Commission found that although split buffalo leather is not produced in the SACU, other bovine leather that can be used for the manufacture of safety footwear is produced in the SACU at competitive prices, and that duty relief in the form of a rebate provision would erode the support and encouragement afforded to the domestic bovine leather industry.

The Commission also took into consideration that, under the auspices of **thedti**, production incentive and competitiveness improvement programmes exist, aimed at improving the competitiveness of the leather footwear industry, that can be utilised by the safety footwear industry.

The Commission recommended that the application for rebate of duty on imported split buffalo leather used for the manufacture of safety footwear, be rejected.

THE APPLICATION AND TARIFF POSITION

Bagshaw Footwear, a division of Bolton Footwear (Pty) Ltd, applied for the creation of a rebate provision for imported split buffalo leather used in the manufacture of safety footwear.

As reason for the application, the applicant stated that split buffalo leather is not produced in the SACU and the current rate of duty is a disadvantage, especially in the face of competition experienced from foreign manufacturers of safety footwear.

The application was published in the Government Gazette on 13 March 2012, for interested parties to comment.

The tariff position for imported split buffalo leather and safety footwear is shown in the tables below:

Table 1: Tariff Description for Imported split buffalo leather

Tariff heading	Tariff subheading	Description	Statistical Unit	Rate of Duty			
				Gen	EU	EFTA	SADC
41.07		Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split (excluding leather of heading 41.14):					
41.07	4107.9	Other, including sides:					
	4107.92	Grain splits	Kg	10%	Free	Free	Free

The tariff position for the end product is shown in the table below:

Table 2: Safety Footwear

Heading/ Sub-Heading	Article Description	Statistical Unit	Rates of Duty			
			GEN	EU	EFTA	SADC
64.03	FOOTWEAR, WITH OUTER SOLES OF RUBBER, PLASTICS, LEATHER OR COMPOSITION LEATHER AND UPPERS OF LEATHER					
6403.40	- Other footwear, incorporating a protective metal toe-cap	2u	30%	20%	20%	free

THE INDUSTRY AND MARKET

Buffalo leather uppers are manufactured from finished buffalo split side leather and then used in the manufacture of safety footwear. The footwear incorporates a protective toe-cap of metal or alternative material, for use by workers in various South African industries, mainly mining and construction.

Bagshaw Safety Footwear, Premier Safety Footwear Manufacturers, Beier Safety Footwear and United Fram Footwear are the main SACU safety footwear manufacturers. These firms use buffalo leather for the manufacture of safety footwear although other bovine leather can also be used for this purpose.

In terms of domestic production, the applicant has a market share of 17%; other domestic manufacturers 30%; while the remaining 53% is imported. The current SACU market size for safety footwear is estimated at approximately 4.5 million pairs per annum.

COMMENTS ON THE APPLICATION

The Skins, Hides and Leather Council of South Africa (SHALC) objected to the application. It argued that domestically produced bovine leather that meet national and international standards for safety footwear is sufficiently available to meet the full SACU market requirements.

The domestic manufacturers of safety footwear supported the application.

FINDING

The Commission found that although split buffalo leather is not produced in the SACU, other bovine leather that can be used for the manufacture of safety footwear is produced in the SACU at competitive prices, and that duty relief in the form of a rebate provision would erode the support and encouragement afforded to the domestic bovine leather industry.

The Commission also took into consideration that, under the auspices of **thedti**, production incentive and competitiveness improvement programmes exist, aimed at improving the competitiveness of the leather footwear industry, that can be utilised by the safety footwear industry.

RECOMMENDATION

In light of the foregoing, the Commission recommends that the application for rebate of duty on imported split buffalo leather used for the manufacture of safety footwear, be rejected.