

## **REPORT NO. 423**

**REVIEW OF REBATE ITEMS 460.07/4011.10/01.06 AND  
460.07/4011.61/01.06 FOR NEW PNEUMATIC TYRES USED IN  
ORGANISED MOTOR SPORT AND AGRICULTURAL OR FORESTRY  
VEHICLES AND MACHINES**

The International Trade Administration Commission herewith presents its Report No.423: **REVIEW OF REBATE ITEMS 460.07/4011.10/01.06 AND 460.07/4011.61/01.06 FOR NEW PNEUMATIC TYRES USED IN ORGANISED MOTOR SPORT AND AGRICULTURAL OR FORESTRY VEHICLES AND MACHINES**, with recommendations.



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**PRETORIA**  
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**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**  
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**REVIEW OF REBATE ITEMS 460.07/4011.10/01.06 AND 460.07/4011.61/01.06  
FOR NEW PNEUMATIC TYRES USED IN ORGANISED MOTOR SPORT AND  
AGRICULTURAL OR FORESTRY VEHICLES AND MACHINES**

**Synopsis**

ITAC undertook a review of rebate items 460.07/4011.10/01.06 and 460.07/4011.61/01.06 for new pneumatic tyres used in organized motor sport and agricultural or forestry vehicles and machines, respectively.

The Commission considered that agricultural tyres having a herring-bone thread, with a rim size of less than 91cm, are manufactured domestically and recommended that the relevant rebate provision be withdrawn.

As racing tyres are not manufactured domestically, the Commission decided that the existing provision be amended to provide for the controlled importation of racing tyres through a permit system administered by ITAC where each permit will be issued subject to a recommendation by the MSA.

**INTRODUCTION**

1. ITAC undertook a review of rebate items 460.07/4011.10/01.06 and 460.07/4011.61/01.06 for tyres used in organized motor sport and agricultural or forestry vehicles and machines, respectively.
2. The application was published in the Government Gazette on 20 July 2012 for comments by interested parties, as follows:

**Table 1: Review of the following rebate provisions:**

<b>Rebate Item</b>	<b>Tariff Heading</b>	<b>Rebate Code</b>	<b>Description</b>	<b>Extent of Rebate</b>
460.07	4011.10	01.06	New pneumatic tyres, of rubber, of a kind used on motor cars, verified by the National Regulator for Compulsory Specifications that it can be used only for organised motor sport.	Full duty
460.07	4011.61	01.06	New pneumatic tyres of rubber having a 'herring-bone' or similar thread, having a rim size of less than 91cm and verified by the National Regulator for Compulsory Specifications that it can only be used on agricultural or forestry vehicles and machines.	Full duty

3. The existing tariff structure for racing tyres and agricultural tyres with a herring-bone thread is as follows:

**Table 2: Current tariff structure of racing and agricultural tyres**

Tariff Heading	Tariff Subheading	Description	Statistical unit	Rate of duty			
				General	EU	EFTA	SADC
40.11		New pneumatic tyres, of a rubber:					
	4011.1	Of a kind used in motor cars (including station wagon and racing cars)	u	30%	15%	15%	Free
	4011.6	Other, having a "herring-bone" or similar tread:					
	4011.61	Of a kind used on agricultural or forestry vehicles and machines:					
	4011.61.10	Having a rim size of less than 91 cm	u	20%	10%	10%	Free

4. The review follows a notice by the National Regulator for Compulsory Specifications (NRCS) that it would no longer issue certificates for the purpose of the relevant rebate provisions for the following reasons:

- The NRCS was established in terms of the NRCS Act No. 5 of 2008 to regulate compulsory specifications (also known as technical regulations) of products;
- All other tyres are subject to compulsory specifications. However, the subject tyres are not subject to compulsory specifications and the relevant verifications are not in line with the mandate of the NRCS which is to specifically regulate compulsory specifications (The compulsory specifications in force are there for safety, health, and environmental reasons. Introducing such specifications for racing and herring-bone tyres would not serve such purpose as racing tyres are used in a controlled environment and are designed specifically to optimize performance within a particular motor sport application and herring-bone tyres are used in fields where health and safety risks are limited);
- The import volumes of the subject tyres have grown substantially since the relevant rebate provisions were created. NRCS finds it increasingly difficult to regulate these tyres due to capacity constraints. NRCS has decided to dedicate its capacity as per its mandate; and
- NRCS maintains that the verification of the subject tyres does not involve any technical knowledge; it is a matter of confirming physical characteristics and it is of the opinion that SARS can administer the relevant rebate provisions.

5. However SARS indicated that it is unable to administer the rebate provisions.

## INDUSTRY AND MARKET

6. There are four domestic manufacturers of tyres in South Africa, namely Goodyear Tyres SA (Pty) Ltd, Bridgestone Tyres SA (Pty) Ltd, Continental Tyres SA (Pty) Ltd and Apollo Tyres SA (Pty) Ltd.
7. Agricultural tyres with a herring-bone pattern are fitted onto vehicles and machines used in the agriculture and forestry sector. A herring-bone in a tyre is a thread consisting of v-shaped protruding rubber patterns that assist the vehicles and machines to navigate through rough terrains.
8. The local manufacturers do not manufacture racing tyres. However, Bridgestone Tyres SA (Pty) Ltd and Continental Tyres SA (Pty) Ltd manufacture a range of agricultural tyres having a herring-bone thread with a rim size of less than 91 cm. These two manufacturers also make use of the rebate provision to import these tyres to supplement the range of domestically manufactured herring-bone tyres.
9. The major importers of agricultural tyres with a herring-bone or similar thread classifiable under tariff subheading 4011.61.10 include Trelleborg SA (Pty), John Deere (Pty) Ltd, Michelin Tyre Co SA (Pty) Ltd, Pirelli Tyres SA (Pty) Ltd, Tubestone SA (Pty) Ltd and Turfmaster (Pty) Ltd. Import statistics for the racing and herring-bone tyres imported under rebate are shown in table 3 below.

Table 3: Imported figures (in units) for racing and agricultural tyres imported under the rebate provisions

Year	Racing Tyres 4011.10	Agricultural Tyres 4011.61.10
2006	770783	27186
2007	885581	60497
2008	639680	56905
2009	575847	41742
2010	571580	46562
2011	422483	56153

10. Motor sport worldwide is controlled by the Federation Internationale de l'Automobile (FIA) which is responsible for all forms of automobile sport. The FIA recognises only one National Federation in each country, with such Federation in turn being responsible for the control and administration of the sport in its own country.
11. Motor sport in South Africa is organised under the auspices of Motorsport South Africa (MSA), which ensures that all motor sporting events in the country are held in accordance with the FIA sporting code. MSA is also officially recognized by the South African Sports Confederation and Olympic Committee (SASCOC).

## **COMMENTS RECEIVED**

12. Comments in support of maintaining the existing rebate provision for racing tyres were received from the MSA, the South African Tyre Manufacturers Conference (SATMC) (representing the four tyre manufacturers) and Big Boss Auto (Pty) Ltd, that indicated that the current rebate provision should be maintained on the basis that racing tyres are not manufactured locally and that there is no domestic manufacturing industry that requires support in the form of an import duty.
13. The SATMC proposed that motor sport tyres be imported for MSA sanctioned events and that the importation be controlled through a permit system administered by ITAC in close consultation with the MSA.
14. However, the SATMC maintained that the rebate provision for agricultural tyres be withdrawn as most of these tyres are manufactured domestically.

## **FINDINGS**

15. The Commission considered that agricultural tyres having a herring-bone thread, with a rim size of less than 91cm, are manufactured domestically and recommends below that the relevant rebate provision be withdrawn.
16. As racing tyres are not manufactured domestically, the Commission decided that the existing provision be amended to provide for the controlled importation of racing tyres through a permit system administered by ITAC where each permit will be issued subject to a recommendation by the MSA.

## **RECOMMENDATION**

17. In the light of the foregoing, the Commission recommends that rebate item 460.07/4011.61/01.06 for agricultural tyres having a herring-bone thread, with a rim size of less than 91cm be deleted.
18. The Commission further recommends that the description for rebate item 460.07/4011.10/01.06 for new pneumatic tyres used in organised motor sport be amended as follows:

*“New pneumatic tyres, of rubber, of a kind used on motor cars for organised motorsport, under such conditions as the International Trade Administration Commission, after consultation with Motorsport South Africa, may allow by specific permit”*