

REPORT NO. 453

**INCREASE IN THE RATE OF CUSTOMS DUTY ON CERTAIN SCREWS, BOLTS
AND NUTS**

The International Trade Administration Commission of South Africa herewith presents its Report No. 453: **INCREASE IN THE RATE OF CUSTOMS DUTY ON CERTAIN SCREWS, BOLTS AND NUTS**, with recommendations



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CHIEF COMMISSIONER

PRETORIA

.....09/01/2014

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 453

INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON CERTAIN SCREWS, BOLTS AND NUTS

Synopsis

CBC Fasteners (Pty) Ltd, applied for an increase in the rate of customs duties applicable to certain screws, bolts and nuts, from 10% *ad valorem* to 30% *ad valorem*. The application is for an increase in duty on screws and bolts classifiable under tariff subheadings 7318.15.39, 7318.15.43 and hexagon nuts of iron or steel (excluding hexagon dome nuts, hexagon nuts with non-metallic inserts, hexagon collared nuts, and hexagon self-locking nuts).

The Commission found that the domestic industry has the capability to manufacture the majority of the products classifiable under the tariff subheadings concerned.

The Commission also found that price disadvantages are experienced by the domestic producers and that support for the industry at the level of 20% *ad valorem* would improve its price competitive position in the face of stiff import competition.

The Commission found that the installed manufacturing capacity is under-utilised. Economically viable orders from customers are lost owing to imports.

The Commission found that additional tariff support for the fastener manufacturing industry would improve its price-competitive position without an undue cost-raising impact on industrial consumers. The support would restore profitability to the industry, would enable the industry to utilise its installed production capacity and

achieve economies of scale, and would allow for further investment.

The Commission will conduct a review of the duty structure three years from the date of implementation to assess the industry's performance in terms of production, employment, and investment.

The Commission recommended that the rate of customs duty on certain screws and bolts classifiable under tariff subheadings 7318.15.39 and 7318.15.43 be increased from 10% *ad valorem* to 20% *ad valorem* and that the customs duty on hexagon nuts (excluding hexagon dome nuts, hexagon nuts with non-metallic inserts, hexagon collared nuts, and hexagon self-locking nuts) classifiable under tariff subheading 7318.16.90 also be increased to 20% *ad valorem*.

THE APPLICATION AND THE TARIFF POSITION

1. CBC Fasteners (Pty) Ltd, applied for an increase in the rate of customs duties applicable to certain screws, bolts and nuts, from 10% *ad valorem* to 30% *ad valorem*. The application was for an increase in duty on screws and bolts classifiable under tariff subheadings 7318.15.39, 7318.15.43 and hexagon nuts of iron or steel (excluding hexagon dome nuts, hexagon nuts with non-metallic inserts, hexagon collared nuts, and hexagon self-locking nuts)".
2. The applicant is a major producer of fasteners in the SACU region. The other smaller manufacturers supported the application.
3. As motivation for the application the applicant stated the following:
 - a. CBC Fasteners (Pty) Ltd is unable to recover manufacturing overheads at the current low levels of production. There is an urgent need for CBC Fasteners and other SACU manufacturers to increase the volumes required to sustain critical mass;

- b. Imported products from Asian countries are enjoying a price advantage in the domestic market; and
 - c. Increasing the customs duties to the bound level of 30% *ad valorem* will level the playing field for manufacturers.
4. The application was published on 7 June 2013 in the Government Gazette for comments by interested parties.

TARIFF STRUCTURE

5. The tariff structure for screws, bolts and nuts reads as follows:

Table 1

Tariff Subheading	Description	Rates of duty			
		General	EU	EFTA	SADC
7318.15	Other screws and bolts, whether or not with their nuts or washers				
7318.15.26	Socket screws	free	free	free	free
7318.15.33	Bolts (including bolt ends, screw studs and screw studding) identifiable for use in an aircraft.	free	free	free	free
7318.15.35	Other screws and bolts (including bolt ends, screw studs screw studding), of stainless steel (excluding those that are fully threaded with hexagon heads)	10%	free	2.5%	free
7318.15.37	Other screws and bolts, fully threaded with hexagon heads, of stainless steel	10%	free	2.5%	free
7318.15.39	Other screws, fully threaded with hexagon heads (excluding those of stainless steel)	10%	free	2.5%	free
7318.15.41	Bolt ends, screw studs and screw studding (excluding those of stainless steel and those identifiable for an aircraft)	10%	free	2.5%	Free
7318.15.43	Other bolts (excluding bolt ends, screw studs and screw studding) with hexagon heads	10%	free	2.5%	Free
7318.15.90	Other	10%	free	2.5%	Free
7318.16	Nuts:				
7318.16.05	Identifiable for use in an aircraft	free	free	free	free
7318.16.10	Of stainless steel	free	free	free	free
7318.16.90	Other	10%	free	10%	free
7318.19	Other	free	free	free	free

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

INDUSTRY AND MARKET

7. Imports are mainly from China, Indonesia, Malaysia and Singapore. Prior to 2011 screws and bolts were imported under consolidated tariff codes. There is no data for 2010, as the expansion of the tariff codes covering the products under investigation was done in 2011.
8. Manufacturers of fasteners in the SACU include the following; Transvaal Pressed Nuts, Bolts and Rivets (Pty) Ltd, SA Bolt Manufacturers company (Pty) Ltd, Bolt Corporation (Pty) Ltd, Automatic Mass Production (Pty) Ltd, and Tel-Screw Products (Pty) Ltd.
9. The trade statistics for screws, bolts and nuts are shown below:

Table 2: Screws: 7318.15.39

Description	Volume (kg)	Value (R)
Imports		
2011	4 501 999	43 733 124
2012	4 489 081	50 598 491
Exports		
2011	156 422	4 956 900
2012	38 691	1 724 162

Table 3: Bolts: 7318.15.43

Description	Volume (kg)	Value (R)
Imports		
2011	3 085 592	33 508 253
2012	3 729 892	49 714 592
Exports		
2011	116 696	6 350 601
2012	178 874	7 367 822

Table 4: Nuts: 7318.16.90

Description	Volume (kg)	Value (R)
Imports		
2011	6 135 078	193 434 959
2012	8 394 958	236 456 164
Exports		
2011	779 575	38 745 978
2012	938 699	35 678 608

10. The trade data for nuts include products that are not subject to this application, hence the request to create an 8-digit tariff subheading for the hexagon nuts that are manufactured by the domestic industry.
11. In terms of volume, the SACU industry's production declined by 18% from 2010 to 2012; the market share of the domestic industry declined from approximately 71% in 2010 to 47% in 2012; and the domestic industry's capacity utilisation also declined considerably.

COMPETITIVE POSITION

12. According to information at the Commission's disposal, the domestic manufacturing industry is experiencing price disadvantages vis-à-vis low-priced competition, especially from East Asia.

COMMENTS RECEIVED

13. The application was supported by the South African Fastener Manufacturer's Association (SAFMA) and individual domestic fastener manufacturers and galvanisers.
14. The fastener manufacturers who supported the application were Transvaal Pressed Nuts, Bolts and Rivets (Pty) Ltd, SA Bolt Manufacturers Company (Pty) Ltd, Automatic Mass Production (Pty) Ltd, Bolt Corporation (Pty) Ltd and Tel Screw (Pty) Ltd.

15. Galvanisers who supported the application were Techniplate Electroplaters, Pro Tech Galvanisers (Pty) Ltd, ER Galvanisers (Pty) Ltd and Galvspin Galvanisers (Pty) Ltd.
16. Comments objecting to the application were received from a number of importers including Bearing Man Group (Pty) Ltd and National Socket Screws (Pty) Ltd. The objections centred on issues relating to the cost-raising effect of customs duties on downstream industries, uncompetitive prices and practices, and the domestic product range.

FINDINGS

17. The Commission found that the domestic industry has the capability to manufacture the majority of the products classifiable under the tariff subheadings concerned.
18. The Commission also found that price disadvantages are experienced by the domestic producers and that tariff support for the industry at the level of 20% *ad valorem* would improve its price competitive position in the face of stiff import competition.
19. The Commission found that the installed manufacturing capacity is under-utilised and economically viable orders from customers are lost, owing to imports.
20. The Commission found that additional tariff support for the fastener manufacturing industry would improve its price-competitive position without an undue cost-raising effect on industrial consumers. The support would restore profitability to the industry, would enable the industry to utilise its installed production capacity and achieve economies of scale, and would allow for further investment.
21. The Commission will conduct a review of the duty structure, three years from the date of implementation to assess the industry's performance in terms of production, employment, and investment.

RECOMMENDATION

22. In light of the foregoing, the Commission recommends that the rate of customs duty on certain screws and bolts classifiable under tariff subheadings 7318.15.39 and 7318.15.43 be increased from 10% *ad valorem* to 20% *ad valorem* and that the customs duty on hexagon nuts (excluding hexagon dome nuts, hexagon nuts with non-metallic inserts, hexagon collared nuts, and hexagon self-locking nuts) classifiable under tariff subheading 7318.16.90 also be increased to 20% *ad valorem* through the creation of a separate tariff subheading.