

**REPORT NO. 508**

**CREATION OF A REBATE PROVISION FOR KNITTED  
PILE POLYESTER FABRICS USED FOR THE  
MANUFACTURE OF CERTAIN FURNISHING ARTICLES**

The International Trade Administration Commission of South Africa herewith presents its Report No. 508: **Creation of a rebate provision for knitted pile polyester fabrics used for the manufacture of certain furnishing articles**



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**PRETORIA**  
**26.10.2015**  
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**REPUBLIC OF SOUTH AFRICA**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH  
AFRICA**

**REPORT NO. 508**

**CREATION OF A REBATE PROVISION ON KNITTED PILE POLYESTER  
FABRICS USED FOR THE MANUFACTURE OF OTHER FURNISHING  
ARTICLES**

**Synopsis**

Procall Consultants (Pty) Ltd applied for the inclusion, under rebate item 311.42, of knitted pile polyester fabrics for use in the manufacture of home textiles, classifiable in tariff subheading 6304.91.90. The rebate provision provides for a rebate of the full duty on certain fabrics not manufactured domestically to enable home textiles manufacturers to import intermediate inputs at free of duty.

The Commission considered the application in light of the information at its disposal. The Commission found that there are no local manufacturers of the subject fabric and that the duty has an unnecessary cost-raising effect. Therefore, duty relief through the creation of the rebate provision would improve the applicant's competitive position in the face of stiff competition from abroad.

The rebate provision will be made subject to a permit issued by ITAC in terms of the published guidelines, rules and conditions pertaining to rebate item 311.42.

In light of the foregoing, the Commission recommends the creation of a rebate provision for:

“Knitted pile fabrics, other, of 100 per cent polyester fibres, classifiable under tariff subheading 6001.92, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of goods classifiable under tariff subheading 6304.91.90”.

**1. THE APPLICATION AND TARIFF POSITION**

- 1.1. Procall Consultants (Pty) Ltd applied for the inclusion, under rebate item 311.42, of knitted pile polyester fabrics for use in the manufacture of home textiles, classifiable in tariff subheading 6304.91.90. The rebate provision provides for a rebate of the full duty on certain fabrics not manufactured domestically to enable home textile manufacturers to import intermediate inputs at free of duty.
- 1.2. As reasons for the application, the applicant stated that local manufacturers of the end product, for which the materials are not manufactured in the SACU, are experiencing significant price disadvantages against imported similar end products.
- 1.3. The existing tariff structure for knitted pile polyester fabric, is given in Table 1.

**Table 1: Tariff structure of the fabrics in question- raw material**

Tariff heading	Tariff subheading	Article description	Rate of duty			
			General	EU	EFTA	SADC
60.01		Pile fabrics, including “long pile” fabrics and terry fabrics, knitted or crocheted:				
	6001.92	Of Man-Made Fibres	Kg	22%	10%	10%

1.4. The tariff structure for the end products is given in Table 2 below:

**Table 2: Tariff structure of the end products (e.g. throws and baby blankets)**

Heading	Sub-heading	Article Description	Rate of Duty			
			General	EU	EFTA	SAD C
63.04		Other furnishing articles (excluding those of heading 94.04):				
	6304.9	Other				
	6304.91	Knitted or crocheted				
	6304.91.90	Other	30%	18%	15%	free

1.5. The existing rebate provision for home textiles, rebate item 311.42, does not cater for the subject fabrics, and reads as follows:

**Table 3: Existing rebate provision for home textiles, rebate item 311.42**

311.42 INDUSTRY: TEXTILE BED, TABLE, TOILET AND KITCHEN LINEN; CURTAINS AND INTERIOR BLINDS; CURTAIN OR BED VALANCES; OTHER FURNISHING ARTICLES; OTHER MADE UP ARTICLES; MATTRESS SUPPORTS; ARTICLES OF BEDDING AND SIMILAR FURNISHING FITTED WITH SPRINGS OR STUFFED OR INTERNALLY FITTED WITH ANY MATERIAL OR OF CELLULAR RUBBER OR PLASTICS, WHETHER OR NOT COVERED			
Rebate Item	Tariff sub heading	Description	Extent of Rebate
311.42	52.08	Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass exceeding 100 g/m <sup>2</sup> but not exceeding 200 g/m <sup>2</sup> in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of goods classifiable in tariff headings 63.02, 63.03, 63.04 and 63.07	Full duty
311.42	5208.23	Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass exceeding 100 g/m <sup>2</sup> but not exceeding 200 g/m <sup>2</sup> , bleached, with a 3-thread or 4-thread twill, including cross twill and with a thread count of 78 threads per cm <sup>2</sup> or more, in rolls with a width of 160 cm or more, for the manufacture of goods classifiable in tariff subheading 63.07	Full duty
311.42	5208.33	Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass exceeding 100 g/m <sup>2</sup> but not exceeding 200 g/m <sup>2</sup> , dyed, with a 3-thread or 4-thread twill, including cross twill and with a thread count of 78 threads per cm <sup>2</sup> or more, in rolls with a width of 160 cm or more, for the manufacture of goods classifiable in tariff heading 63.07	Full duty
311.42	52.09	Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass exceeding 200 g/m <sup>2</sup> , in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable in tariff headings 63.02, 63.03 and 63.04	Full duty
311.42	52.10	Woven fabrics of cotton, containing less than 85 per cent of cotton, mixed mainly or solely with man-made fibres, of a mass not exceeding 200 g/m <sup>2</sup> , in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable in tariff headings 63.02, 63.03 and 63.04	Full duty
311.42	54.07	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 54.04, in rolls of a width of 160 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable in tariff headings 63.02, 63.03 and 63.04	Full duty

311.42	55.13	Woven fabrics of synthetic fibres, containing less than 85 per cent by mass of such fibres, mixed mainly or solely with cotton, of a mass not exceeding 170 g/m <sup>2</sup> , in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable in tariff headings 63.02, 63.03 and 63.04	Full duty
311.42	55.14	Woven fabrics of synthetic staple fibres, containing less than 85 per cent by mass of such fibres, mixed mainly or solely with cotton, of a mass exceeding 170 g/m <sup>2</sup> , dyed or printed, in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable in tariff headings 63.02, 63.03 and 63.04	Full duty
311.42	5903.20	Textile fabrics impregnated, coated, covered or laminated with polyurethane, in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of mattress covers classifiable in tariff heading 63.02	Full duty
311.42	6001.21	Looped pile fabrics, knitted or crocheted, of cotton, in rolls of a width of 200 cm or more, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of mattress covers classifiable in tariff heading 63.02	Full duty

1.6. Rebate item 311.42, as shown in the table above, is an industrial rebate used by the manufacturers of home textiles. The original rebate items under rebate item 311.42 were created by the Commission in 2009 following an application by the industry. The Commission found that, in tandem with the range of support measures provided for the textiles sector, that these industrial rebate provisions would enable the home textiles sector to protect existing jobs, recapture the domestic market, increase its price competitiveness by reducing the unit costs of manufacture and in the process also stimulate production down the value chain.

1.7. The application was published in the Government Gazette on 19 June 2015 for comments by interested parties, as follows:

“Knitted pile fabrics, other, of 100 per cent polyester fibres, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of goods classifiable in tariff subheading 6304.91.90”.

## 2. INDUSTRY AND MARKET

2.1. The product in question is a 100% knitted pile polyester fabric, not manufactured domestically, which is used to manufacture throws.

- 2.2. Procall Consultants (Pty) Ltd is one of the largest producers of the subject end product in the SACU. A number of chain stores such as the Pepkor group, the Edcon group and Mr Price Home are some of the applicant's customers.
- 2.3. Within the SACU region, there are a number of other manufacturers of home textiles such as:
- a) Sheraton Textiles Holding (Pty) Ltd;
  - b) Maytex;
  - c) Romatex Home Textiles; and
  - d) Classic quilters.
- 2.4. Table 4 below shows the import figures for polyester fabric over the last three years. The imports include all polyester fabric under 6001.92; the fabric has multiple applications and is not only used for the manufacture of the subject end product.

**Table 4: Import figures for knitted pile polyester fabric**

	2012	2013	2014
Imports (kg)	1 244 183	2 180 961	5 032 598
Imports value (R)	39 968 791	10 806 113	121 616 921
Unit price (R)	32.12	4.95	25.15

### **3. COMPETITIVE POSITION**

- 3.1 According to information at the Commission's disposal, the applicant is experiencing price disadvantages vis-à-vis foreign manufacturers of the end products, if the domestic ex-factory price of the end product is compared to the landed cost of similar imported products.

### **4. COMMENTS ON THE APPLICATION**

- 4.1. Comments in support of the application were received from the Textile Federation South Africa ("Texfed") and the South African Home Textiles Employers' Association ("Hometex").

- 4.2. Hometex stated the biggest obstacle to local manufacturing is the cost of the intermediate inputs. It further stated that the rebate provision should complement the existing rebate item 311.42 and subject to an ITAC permit governed by the existing ITAC guidelines, conditions and rules pertaining to rebate item 311.42.

## **5. FINDINGS**

- 5.1. The Commission considered the application in light of the information at its disposal. The Commission found that there are no local manufacturers of the subject fabric and that the duty has an unnecessary cost-raising effect. Therefore, duty relief through the creation of the rebate provision would improve the applicant's competitive position in the face of stiff competition from abroad.
- 5.2. The rebate provision will be made subject to a permit issued by ITAC in terms of the published guidelines, rules and conditions pertaining to rebate item 311.42.

## **6. RECOMMENDATION**

- 6.1. In light of the foregoing, the Commission recommends the creation of a rebate provision for:

"Knitted pile fabrics, other, of 100 per cent polyester fibres, classifiable under tariff subheading 6001.92, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit for manufacture of goods classifiable under tariff subheading 6304.91.90".

[03/2015]