

**REPORT No. 425**

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON TAPS  
AND MIXERS**

The International Trade Administration Commission of South Africa herewith presents its Report No.425: **INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON TAPS AND MIXERS**, 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. 425

### INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON TAPS AND MIXERS

#### Synopsis

Cobra Watertech (Pty) Ltd applied for an increase in the general rate of customs duty on taps and mixers classifiable under tariff subheading 8481.80.79 from 15% *ad valorem* to the GATT bound rate of 20% *ad valorem*.

The Commission considered that the domestic industry manufacturing taps and mixers invested a considerable amount of capital to establish excellent production facilities. However, the Commission found that the domestic industry experiences price disadvantages, especially vis-à-vis East Asian manufacturers of low-priced taps and mixers, that has eroded its market share.

The additional tariff support to the WTO bound rate of 20% *ad valorem*, would improve the price-competitive position of the domestic industry, lead to further investment in the industry with a concomitant increase in employment opportunities, and enable the industry to utilize its existing production capacity and achieve increased economies of scale.

The Commission recommended that the general rate of customs duty on taps and mixers, be increased from 15% *ad valorem* to the GATT bound rate of 20% *ad valorem*.

#### THE APPLICATION AND THE TARIFF POSITION

1. Cobra Watertech (Pty) Ltd applied for an increase in the general rate of customs duty on taps and mixers classifiable under tariff subheading 8481.80.79 from 15% *ad valorem* to the GATT Bound rate of 20% *ad valorem*.
2. As reasons for the application, the applicant stated the following:

- Imported products originating from East and South Asia enjoy huge price advantages over domestically manufactured taps and mixers and have made significant inroads into the SACU market.
- The industry is a down-stream industry, manufacturing a labour-intensive final product. The domestic industry endeavours to source materials and utilities domestically. However, the cost of inputs such as brass rods, electricity and labour has increased substantially.
- The industry has made significant capital investments and foreign exchange is earned through exports.
- This application is aimed at providing some relief to the local industry and will not translate into a price increase. The building industry in SACU has been in a depressed state and this has contributed to the worsening state of the domestic copper and brass industry.

3. The application was published in the Government Gazette on 26 of October 2012 for comments by interested parties as follows:

**Increase in the general rate of customs duty on:**

"Taps and mixers classifiable under tariff subheading 8481.80.79 from 15% to 20% *ad valorem*"

4. The existing tariff structure for taps and mixers is as follows:

Heading	Sub-heading	Article description	Statistical Unit	General	EU	EFTA	SADC
84.81	8481.80.79	<b>Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing valves and thermostatically controlled valves:</b>  Hose or toilet bib cocks, pillar cocks, water mixing taps, thermostatically controlled mixing valves (bath, washbasin, bidet, shower or sink type), shower units, water-tank locking taps, cooking range taps or tapping ferrules for off-take pipes of an outside diameter not exceeding 32 mm	kg	15%	Free	5.7%	Free

5. The WTO bound rate is 20% *ad valorem*.

**INDUSTRY AND MARKET**

6. Cobra Watertech is the dominant manufacturer of taps and mixers in the SACU.

7. Taps and mixers are produced from brass, alloyed with virgin copper and zinc to a specific copper-zinc ratio of 63:37. Both brass ingot and brass rod are locally produced by non-ferrous metal producers using locally sourced non-ferrous scrap.
8. The industry employs 913 people, of which 692 are directly involved in the manufacturing of the subject products.
9. The import and export statistics show a marked increase in imports of taps and mixers while exports declined since 2009:

	2009	2010	2011	2012
<b>Imports (kg)</b>	2 276 478	3 066 958	3 364 557	3 370 975
<b>Exports (kg)</b>	754 293	546 947	673 376	557 825

10. The SACU market size increased from 2 480 185 kg in 2009 to 3 544 150 kg in 2012:

2009 (kg)	2010 (kg)	2011 (kg)	2012 (kg)
2 480 185	3 381 011	3 544 181	3 544 150

## COMPETITIVE POSITION

11. According to information at the Commission's disposal, the domestic industry manufacturing taps and mixers experiences significant price disadvantages vis-à-vis low-priced competition from East Asian manufacturers.

## COMMENTS RECEIVED

12. Objections to the application for an increase in customs duty on taps and mixers were received from the following importers: McNeil (Pty) Ltd; Splash Works (Pty) Ltd, Cachet International, Pennyware Distributors, Asia Link, Bathroom Bizarre and International Tap Distributors. The objections revolved around the inflationary effect of increased duties.

## FINDINGS

13. The Commission considered that the domestic industry manufacturing taps and mixers invested a considerable amount of capital to establish excellent production facilities. However, the Commission found that the domestic

industry experiences price disadvantages, especially vis-à-vis East Asian manufacturers of low-priced taps and mixers, that has eroded its market share.

14. The additional tariff support to the WTO bound rate of 20% *ad valorem*, would improve the price-competitive position of the domestic industry, lead to further investment in the industry with a concomitant increase in employment opportunities, and enable the industry to utilize its existing production capacity and achieve increased economies of scale.
15. A review of the duty structure will be conducted within a period of three years to assess the impact of the duty on the performance of the industry.

#### **RECOMMENDATION**

16. In the light of the forgoing, the Commission recommends that the general rate of customs duty on taps and mixers classifiable under tariff subheading 8481.80.79 be increased from 15% to the bound rate of 20% *ad valorem*.