

REPORT NO. 515

**CREATION OF A REBATE PROVISION ON ACRYLIC SHEET USED IN THE
MANUFACTURE OF SANITARY WARE OF PLASTIC**

The International Trade Administration Commission of South Africa herewith presents its Report No. 515: **CREATION OF A REBATE PROVISION ON ACRYLIC SHEET USED IN THE MANUFACTURE OF SANITARY WARE OF PLASTIC**, with recommendations.



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CHIEF COMMISSIONER

PRETORIA
03/07/2016

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 515

CREATION OF A REBATE PROVISION ON ACRYLIC SHEET USED IN THE MANUFACTURE OF SANITARY WARE OF PLASTIC

Synopsis

Libra Bathrooms (Pty) Ltd applied for the creation of a rebate provision on acrylic sheet classifiable in tariff subheading 3920.51 used in the manufacture of sanitary ware of plastic classifiable under tariff heading 39.22. The subject products are other plates, sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated, supported or similarly combined with other materials.

The Commission considered the application in light of the information at its disposal. The commission found that there are no manufacturers of the subject product in SACU. The former manufacturer, Perspex SA (Pty) Ltd, terminated production in 2012 and currently imports the subject product. Acrylic sheet is an important input in the manufacture of sanitary ware and the current duty makes it difficult for local manufacturers to compete with low priced end-products imported from East Asia.

The Commission recommended the creation of a rebate provision on acrylic sheet classifiable in tariff subheading 3920.51 used in the manufacture of acrylic sanitary ware of plastics classifiable in tariff heading 39.22. The rebate facility will be subject to a permit issued by ITAC.

THE APPLICATION AND TARIFF POSITION

1. Libra Bathrooms (Pty) Ltd applied for the creation of a rebate provision on acrylic sheet classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware classifiable under tariff heading 39.22. The subject products are other plates, sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated, supported or similarly combined with other materials.
2. The applicant is a Meyerton-based company and it manufactures acrylic bathroom ware. It is part of the Dawn Sanitary Ware division which comprises three sanitary ware companies namely, Libra Bathrooms (Pty) Ltd, Plexicor (Pty) Ltd and Vaal Sanitary Ware (Pty) Ltd.
3. As reason for the application, the applicant stated the following:
 - i) There are no local manufacturers of the subject product. The last manufacturer, Perspex SA (Pty) Ltd ceased production in 2012 as the company was no longer profitable;
 - ii) Investment and jobs are at risk should Libra Bathrooms not become profitable;
 - iii) The 10% *ad valorem* import duty on the main raw material makes it very difficult to compete with low priced imports from East Asia which are gaining substantial market share on an annual basis.
 - iv) The amendment of the duty structure will bring the total cost to the company down, since the acrylic sheet is a major input in the manufacturing of acrylic sanitary ware.

4. Table 1 below outlines the current duty structure for acrylic sheet.

Table 1: Tariff position - acrylic sheet

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
39.20		Other plates, sheet, film, foil and strips of non-cellular and not reinforced, laminated supported or similarly combined with other materials:					
3920.5		Of acrylic polymers:					
	3920.51	Of poly(methyl methacrylate)	Kg	10%	Free	5%	Free

Source: SARS 2015

5. Acrylic sheet attracts a 10% duty. The WTO bound rate is 20% *ad valorem*.

6. The application was published in the Government Gazette on 21 August 2015 for comments by interested parties, as follows:

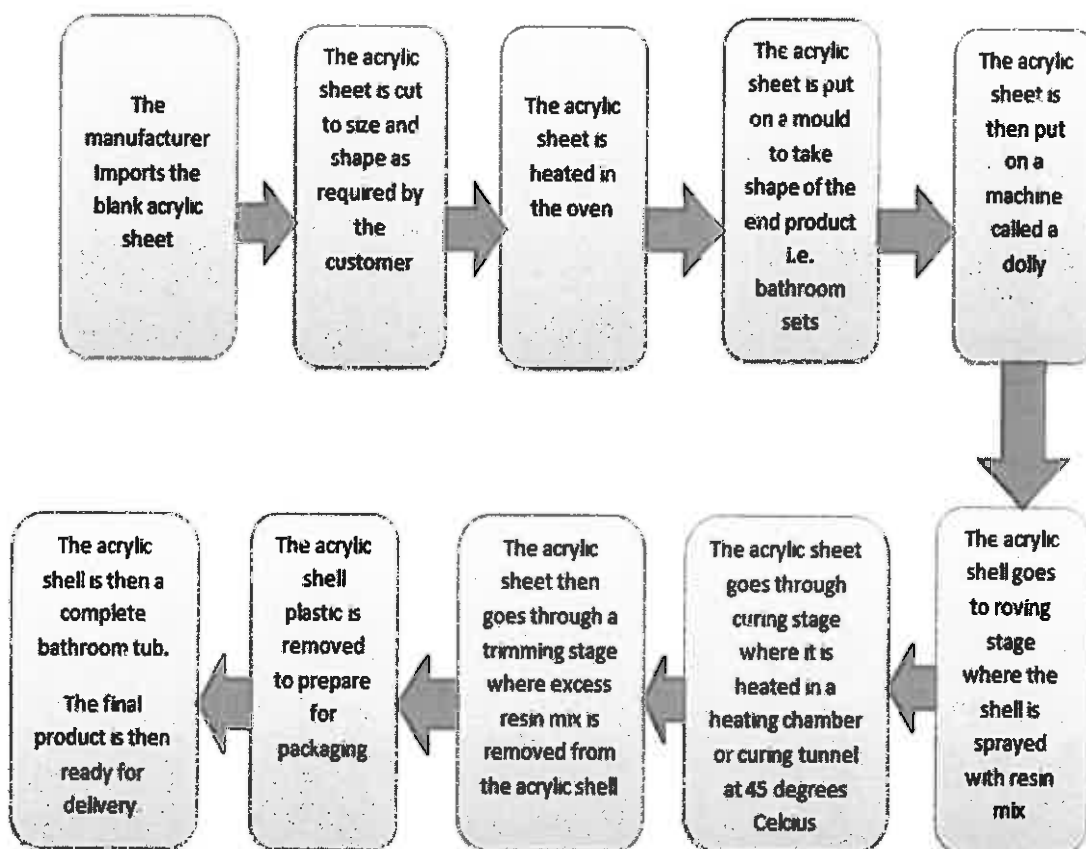
Other plates, sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of sanitary ware in such quantities, at such times and subject to such conditions as International Trade Administration Commission may allow by specific permit.

INDUSTRY AND MARKET

7. The subject product serves as an input in the manufacturing of various acrylic sanitary ware products which include bath tubs, sinks, showers and wash basins. The end-products are mostly used for household and commercial (i.e. guest houses, hotels, etc) purposes.

8. Figure 1 below shows the standard production process of acrylic sanitary ware.

Figure 1: Production process of acrylic sanitary ware



9. Libra Bathrooms (Pty) Ltd, Sphinx Acrylic Bathroomware t/a Betta Sanitary Ware (Pty) Ltd and, Tub and Spa Manufacturers (Pty) Ltd are the firms in SACU that currently use acrylic sheet to manufacture the plastic sanitary ware.

10. The input product was sourced locally from the then domestic manufacturer, Perspex South Africa (Pty) Ltd. However, the company ceased manufacturing the subject product in March 2012 owing to increased import competition and price uncompetitiveness.

COMMENTS

11. The application was supported by the Botswana Ministry of Trade and Industry.
12. Perspex SA (Pty) Ltd, one of the main importers of acrylic sheet, objected to the application, citing that it is a manufacturer of a substitute product i.e. the capped ABS which is more cost-effective compared to acrylic sheet.

FINDINGS

13. There are no manufacturers of the subject product in SACU. The former manufacturer, Perspex SA (Pty) Ltd terminated production in 2012 and it currently imports the subject product.
14. The acrylic sheet is an important input in the manufacture of the final product, and the current duty structure makes it difficult for local manufacturers to compete with low priced imports of finished products from East Asia.
15. The Commission found that capped ABS which is manufactured by E-NOX, a subsidiary of Perspex South Africa (Pty) Ltd can be used in place of acrylic sheet in the sanitary ware industry. However, the Commission found that capped ABS is not a close substitute for acrylic sheet due to its chemical characteristics. The capped ABS is also mainly used in the printing, signage and fabrication, and building sectors. In the sanitary ware industry, it is not normally used and when used it is at the low end market as it is cheaper than the subject product.
16. The rebate provision on acrylic sheet would improve the competitive position of the domestic industry manufacturing sanitary ware.

RECOMMENDATION

17. In the light of the foregoing, the Commission recommends the creation of a rebate provision on acrylic sheet classifiable in tariff subheading 3920.51 for the manufacture of acrylic sanitary ware, of plastics classifiable in tariff heading 39.22, as follows:

“Other plates, sheets, film, foil and strip of poly (methyl methacrylate), non-cellular and not reinforced, laminated supported or similarly combined with other materials, classifiable in tariff subheading 3920.51 for the manufacture of acrylic sanitary ware, of plastics classifiable in tariff heading 39.22, in such quantities, at such times and subject to such conditions as International Trade Administration Commission may allow by specific permit.”