

REPORT NO: 518

WITHDRAWAL OF THE REBATE PROVISION ON PLATES, SHEETS, FILM, FOIL AND STRIPS OF POLYMERS OF PROPYLENE, BIAXIALLY ORIENTED, FOR THE MANUFACTURE OF SELF- ADHESIVE TAPE

The International Trade Administration Commission of South Africa herewith presents its Report No. 518: **Withdrawal of the rebate provision on plates, sheets, film, foil and strips of polymers of propylene, biaxially oriented, for the manufacture of self-adhesive tape**



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Siyabulela Tsengile
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 518

**WITHDRAWAL OF THE REBATE PROVISION ON PLATES, SHEETS, FILM, FOIL
AND STRIPS OF POLYMERS OF PROPYLENE, BIAXIALLY ORIENTED, FOR
THE MANUFACTURE OF SELF-ADHESIVE TAPE**

Synopsis

Following a recommendation by the Board on Tariffs and Trade in its Report No. 3873, that the rebate provision for biaxially oriented polypropylene (Bopp) film used in the manufacture of self-adhesive tape be withdrawn should domestically manufactured Bopp film be available from domestic sources in sufficient quantities to meet the market requirements, the Commission initiated a review of this rebate provision.

The Commission found that the Bopp films for use in the manufacture of self-adhesive tape are manufactured in sufficient quantities in the SACU and that the domestic manufacturer of Bopp films is experiencing price disadvantages vis-à-vis foreign manufacturers that export their products to SACU. Fierce foreign competition has resulted in significant unutilised domestic production capacity. The withdrawal of the rebate provision as recommended below should improve the competitive position of the domestic industry manufacturing Bopp film and enable it to utilise its significantly under-utilised capacity and achieve economies of scale.

In the light of the foregoing, the Commission recommends the withdrawal of the rebate provision on plates, sheets, film, foil and strip, of polymers of propylene, biaxially oriented, for the manufacture of self-adhesive tape of subheading 3919.10.

THE APPLICATION AND TARIFF POSITION

Following a recommendation by the Board on Tariffs and Trade in its Report No. 3873, that the rebate provision for biaxially oriented polypropylene (Bopp) film used in the manufacture of self-adhesive tape be withdrawn should domestically manufactured Bopp film be available from domestic sources in sufficient quantities to meet the market requirements, the Commission initiated a review of this rebate provision.

The review was published in the Government Gazette of 19 June 2015 for comments by interested parties as follows:

“REVIEW OF:

Rebate item 307.01/3920.20/01.06: Rebate of duty on plates, sheets, film, foil and strip of polymers of propylene, biaxially oriented, for the manufacture of self-adhesive tape of subheading 3919.10”

The existing structure for the rebate of duty in question, reads as follows:

Tariff structure for rebate item 307.01, in respect of Bopp films

307.00	PLASTICS AND ARTICLES THEREOF; RUBBER, SYNTHETIC RUBBER, FACTICE, AND ARTICLES THEREOF			
307.01	INDUSTRY: PLASTICS			
Rebate item	Tariff subheading	Rebate code	Description	Extent of rebate
307.01	3920 20	01 06	Plates, sheets, film, foil and strip, of polymers of propylene, biaxially oriented, for the manufacture of self-adhesive tape of subheading 3919.10	Full duty

The tariff structure of the Bopp film, being the input products in respect of the rebate provision in question, reads as follows:

Existing tariff structure for Bopp films

Heading	Sub-heading	Description	Rate of Duty			
			General	EU	EFTA	SADC
39.20		Other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials:				
	3920.20	Of polymers of propylene:				
	3920.20.25	Biaxially oriented with a thickness exceeding 0,012 mm but not exceeding 0,06 mm, not heat shrinkable, printed, not metallised	10%	Free	Free	Free
	3920.20.30	Biaxially oriented with a thickness exceeding 0,012 mm but not exceeding 0,06 mm, not heat shrinkable, unprinted but not metallised	10%	Free	Free	Free
	3920.20.35	Biaxially oriented with a thickness exceeding 0,012 mm but not exceeding 0,06 mm, not heat shrinkable, printed, metallised	10%	Free	Free	Free
	3920.20.40	Biaxially oriented with a thickness exceeding 0,012 mm but not exceeding 0,06 mm, not heat shrinkable, unprinted, metallised	10%	Free	Free	Free
	3920.20.45	Other, biaxially oriented, printed, not metallised	Free	Free	Free	Free
	3920.20.50	Other, biaxially oriented, unprinted, not metallised	Free	Free	Free	Free
	3920.20.55	Other, biaxially oriented	Free	Free	Free	Free
3920.20.9		Other				
	3920.20.91	Printed and metallised	10%	Free	Free	Free
	3920.20.93	Unprinted and metallised	10%	Free	Free	Free

The tariff structure of the self-adhesive tape, being the output products in respect of the rebate provision in question, reads as follows:

Tariff structure for self-adhesive tape of Bopp

Heading	Tariff subheading	Description	Rate of Duty			
			General	EU	EFTA	SADC
39.19		Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls:				
3919.10		In rolls of a width not exceeding 20 cm:				
	3919.10.41	Of biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides), of a width not exceeding 25 mm and of a value for duty purposes exceeding 1 300c/m ²	free	free	free	free
	3919.10.43	Of biaxially orientated polymers of propylene (excluding that which is selfadhesive on both sides), of a width not exceeding 150 mm	10%	free	free	Free
	3919.10.47	Other, of biaxially oriented polymers of propylene	10%	free	free	Free

INDUSTRY AND MARKET

Bopp films are manufactured domestically by SFR Flexipack (Pty) Ltd from polymers of propylene obtained domestically from Safripol and Sasol. Biaxially oriented Bopp film means that the film is stretched in two directions. Orientation brings about changes in the film such as higher tensile strength for a given thickness, greater stiffness, improved optical properties and improved barrier to water or gases.

The Bopp film is used mainly as a packaging material in a wide variety of consumer applications, including foods, tobacco, textiles, and stationary. The Bopp film imported under the rebate provision in question is only suitable and can only be used for the manufacture of self-adhesive tapes, classifiable under tariff subheading 3919.10. Bopp film is sold in the packaging industry in unprinted, printed, and metallised form.

Unprinted Bopp film, which is subject of the rebate provision in question, is manufactured locally by SRF, which is based in KwaZulu Natal. SRF supplies various domestic manufacturers of printed Bopp films with unprinted Bopp films.

The SRF plant capacity for the manufacture of unprinted Bopp films is 26 000 tons per annum. The overall SACU market for Bopp films for all applications is estimated at 36 000 tons per annum. SRF estimated the market for Bopp film suitable for the manufacture of self-adhesive tapes to be approximately 4 000 tons per annum.

According to the official import statistics, total imports of Bopp film amount to 24 000 tons per annum.

SRF has to date made significant investments in the plant's operations, which commenced in 2013.

COMMENTS ON THE APPLICATION

SRF Flexipack supported the withdrawal of the existing rebate provision, on the basis that the original motivation for its introduction i.e, that specific Bopp film was not available in sufficient quantities to meet the domestic market requirements, is no longer valid and that the company has made significant investments towards the manufacture of Bopp films in the SACU.

Two manufacturers of self-adhesive tapes objected to the removal of the rebate provision on the basis that the SACU downstream industry is currently under pressure from low-priced imports of self-adhesive tapes.

FINDINGS

The Commission found that the Bopp films for use in the manufacture of self-adhesive tape are manufactured in sufficient quantities in the SACU and that the domestic manufacturer of Bopp films is experiencing price disadvantages vis-à-vis foreign manufacturers that export their products to SACU. Fierce foreign competition has resulted in significant unutilised domestic production capacity.

The withdrawal of the rebate provision as recommended below should improve the competitive position of the domestic industry manufacturing Bopp film and enable it to utilise its significantly under-utilised capacity and achieve economies of scale.

The Commission is at present considering an application for an increase in the duty on self-adhesive tape.

RECOMMENDATION

In the light of the foregoing, the Commission recommends the withdrawal of the rebate provision on plates, sheets, film, foil and strip, of polymers of propylene, biaxially oriented, for the manufacture of self-adhesive tape of subheading 3919.10.

(16/2014)