

REPORT NO. 527

**APPLICATION FOR AN INCREASE IN THE RATE OF
CUSTOMS DUTY ON TINPLATE**

The International Trade Administration Commission herewith presents its **Report No. 527: APPLICATION FOR AN INCREASE IN THE RATE OF CUSTOMS DUTY ON TINPLATE**, with recommendations.



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA
26...../04/2016

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 527

**APPLICATION FOR AN INCREASE IN THE RATE OF CUSTOMS DUTY ON
TINPLATE**

Synopsis

ITAC received an application from ArcelorMittal South Africa Limited (AMSA) for an increase in the general rate of customs duty on flat-rolled products of iron or non-alloy steel, plated or coated with tin (“tinplate”), classifiable under tariff subheadings 7210.11, 7210.12, and 7212.10, from free of duty to 10% *ad valorem*.

The Commission carefully considered the application against the background of certain pertinent technical and competitive issues. It facilitated discussions between Nampak, AMSA’s largest customer, and the applicant. The parties emphasised the importance of their long-standing relationship. The major challenge is that AMSA is not able to manufacture double-reduced tinplate and that Nampak is forced to import the products.

Globally, the trend is strongly towards the technologically superior double reduced tinplate, posing a significant challenge to the applicant who currently manufactures single reduced tinplate.

The applicant, however, plans to invest in double reduced technology in order to be able to meet the domestic packaging industry’s requirements. The full tinplate value chain must remain competitive. Nampak is working with the applicant on this process.

The applicant decided to withdraw the application and indicated its intention to invest in the new technology.

The Commission recommends that the investigation for an increase in the rate of customs duty on flat-rolled products of iron or non-alloy steel, plated or coated with tin ("tinplate"), classifiable under tariff subheadings 7210.11, 7210.12, and 7212.10, from free of duty to 10% *ad valorem*, be terminated.

THE APPLICATION AND TARIFF POSITION

1. ITAC received an application from ArcelorMittal South Africa Limited (AMSA) for an increase in the general rate of customs duty on flat-rolled products of iron or non-alloy steel, plated or coated with tin ("tinplate"), classifiable under tariff subheadings 7210.11, 7210.12, and 7212.10, from free of duty to 10% *ad valorem*.
2. As motivation for the application, the applicant stated, among others, the following:
 - There is an oversupply of steel and steel products in the world;
 - The domestic primary steel manufacturers have been at a significant price disadvantage compared to the imported product, thereby incurring significant injury due to low-priced imports;
 - The imposition of tariff protection will assist in restoring the competitive position of the domestic industry manufacturing tinplate. Also, it will curb job losses and restore economic and financial stability within the steel value chain; and
 - The steel value chain cannot exist without a primary steel producer. It is essential for SACU to have the benefits of a fully integrated value chain. Without a primary steel producer, iron ore will be exported unbeneficiated and the downstream industry will be exposed to international price fluctuations and supply uncertainties.

3. The application was published in the Government Gazette on 23 of October 2015, for comments by interested parties, as follows:

Increase in the general rate of customs duty on:

"Flat-rolled products of iron or non-alloy steel, plated or coated with tin ("tinplate"), classifiable under tariff subheadings 7210.11, 7210.12, and 7212.10, from free of duty to 10% *ad valorem*"

4. The existing tariff structure for the subject products is as follows:

Table 1: Current tariff structure for the subject products

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EU	EFTA	SADC
72.10		Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated:					
	7210.1	Plated or coated with tin:					
	7210.11	Of a thickness of 0,5 mm or more	Kg	Free	Free	Free	Free
	7210.12	Of a thickness of less than 0,5 mm	Kg	Free	Free	Free	Free
72.12		Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated:					
	7212.10	Plated or coated with tin	Kg	Free	Free	Free	Free

5. The WTO bound rate for the tariff subheadings under investigation is 10% *ad valorem*.

INDUSTRY AND MARKET

6. The subject product is flat-rolled non-alloy steel, plated or coated with tin. The applicant is the only manufacturer of tinplate in SACU and it produces single reduced tinplate material ranging from 0.19mm to 0.45mm in thickness and ranging from 650mm to 950mm in width. It does not manufacture double reduced tinplate, a thinner but stronger product increasingly preferred by the packaging industry.
7. Tinplate is a technically sophisticated product, predominantly used for the production of packaging materials i.e. food cans, can ends, larger containers and a range of closures for food processing.

8. The major buyers and users of tinplate in the SACU region include, amongst others, the following companies:
- Nampak Divfood, a division of Nampak Products Limited (the largest consumer of tinplate on the continent);
 - SA Steel Pack Solutions (Pty) Ltd;
 - Nestlé (South Africa) (Pty) Ltd;
 - Golden Era Packaging; and
 - Tiger Brands Limited.
9. The applicant's production and sales volumes of tinplate have declined over the three year period from 2012 to 2014, eroding the industry's competitive position and capacity utilisation.

COMPETITIVE POSITION

10. Challenges facing the industry include outdated technology and high manufacturing costs. Labour costs and shortage of technical skills pose additional challenges, amplified by high domestic energy costs. Poor quality tinplate can harm the consumer. In addition, most beverage cans are now made of aluminium instead of tinplate.
11. Globally, the trend is strongly towards the technologically superior double reduced tinplate, posing a significant challenge to the applicant who currently manufactures single reduced tinplate.
12. The applicant, however, plans to invest in double reduced technology in the near future in order to be able to meet the domestic packaging industry's requirements. The full tinplate value chain must remain competitive. Nampak is working with the applicant on this process.

COMMENTS RECEIVED

13. Objections to the application for an increase in customs duty on tinplate were received from the following firms: the Aerosol Manufacturers' Association; The Consumer Goods

Council of South Africa (“CGCSA”); Nampak Divfood, a division of Nampak Products Limited; Nestlé (South Africa) (Pty) Ltd; Odyssey Steel (Pty) Ltd; Pick n Pay Retailers (Pty) Ltd (“Pick n Pay”); the South African Fruit and Vegetable Canners Association (“SAFVCA”); Robor (Pty) Ltd; SA Steel Pack Solutions (Pty) Ltd; and Tiger Brands Limited.

14. The objections centred on factors such as out-dated production facilities and technologies, the negative cost-raising impact of duties on downstream industries, inability to meet the SACU demand of double reduced tinplate, the natural protection of the steel industry, and the adverse effects of higher duties on packaging manufacturers and the canning industry as filled canned imports are also increasing.

FINDINGS

15. The Commission carefully considered the application against the background of the technical and competitive issues discussed above. It facilitated discussions between Nampak, AMSA’s largest customer, and the applicant. The parties emphasised the importance of their long-standing relationship. The major challenge is that AMSA is not able to manufacture double-reduced tinplate and that Nampak is forced to import the products.
16. The applicant and Nampak agreed that there was a need for both parties to work together in developing the required specifications as this would benefit both parties.
17. The applicant therefore decided to withdraw the application and indicated its intention to invest in the new technology.

RECOMMENDATION

18. In light of the foregoing, the Commission recommends that the investigation for an increase in the rate of customs duty on flat-rolled products of iron or non-alloy steel, plated or coated with tin (“tinplate”), classifiable under tariff subheadings 7210.11, 7210.12, and 7212.10, from free of duty to 10% *ad valorem*, be terminated.