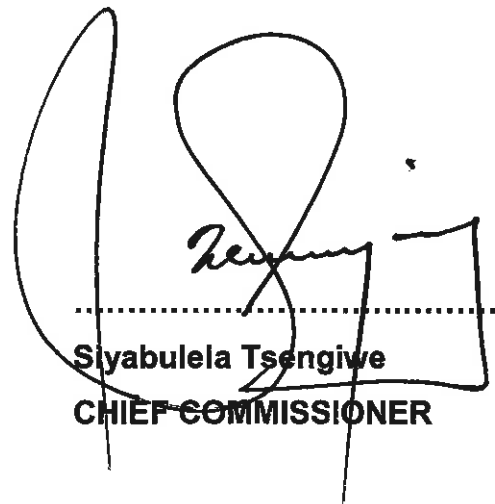


**REPORT NO. 539**

**APPLICATION FOR REBATE OF DUTY ON YARN OF  
POLYESTER STAPLE FIBRES USED IN THE  
MANUFACTURE OF KNITTED FABRICS.**

The International Trade Administration Commission of South Africa herewith presents its Report No.539: **Application for rebate of duty on yarn of polyester staple fibres used in the manufacture of knitted fabrics.**



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**Siyabulela Tsengive**  
**CHIEF COMMISSIONER**

**PRETORIA**

**24 / 10 / 2016**

**REPUBLIC OF SOUTH AFRICA**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH  
AFRICA**

**REPORT NO. 539**

**APPLICATION FOR REBATE OF DUTY ON YARN OF POLYESTER STAPLE  
FIBRES USED IN THE MANUFACTURE OF KNITTED FABRICS.**

**Synopsis**

DesleeMattex (Pty) Ltd applied for the creation of a rebate provision for yarn of polyester staple fibres with a rate of customs duty of 15 per cent *ad valorem*, classifiable under tariff subheading 5509.21, used in the manufacture of knitted fabrics, classifiable under tariff heading 60.06.

The Commission found that polyester spun yarn classifiable under tariff subheading 5509.21 is manufactured locally.

The Commission found that there is a local manufacturer and a potential manufacturer of the subject product, namely: Tai Yuen Textiles (SA) (Pty) Ltd and Standerton Mills (Pty) Ltd.

The Commission concluded that the existing duty serves as protection for the encouragement to the domestic industry, employment and investment opportunities available in this sector.

In the light of the foregoing, the Commission recommends that the application for a rebate provision for polyester spun yarn classifiable under tariff subheading 5509.21, used for the manufacture of knitted fabrics classifiable under tariff heading 60.06, be rejected

## 1. THE APPLICATION AND TARIFF POSITION

- 1.1. DesleeMattex (Pty) Ltd applied for the creation of a rebate provision for yarn of polyester staple fibres with a rate of customs duty of 15 per cent *ad valorem*, classifiable under tariff subheading 5509.21, used in the manufacture of knitted fabrics, classifiable under tariff heading 60.06.
- 1.2. The applicant currently supplies knitted and woven fabrics to the mattress manufacturing industry in SACU for use in both foam and inner spring mattresses of various sizes.
- 1.3. As reasons for the application, the applicant stated the following:
- 1.3.1. They have tried using local supply from local yarn spinners but ended up with significant reject fabric due to yarn quality inconsistency, and as such, were forced to import the yarn from reputable suppliers in the East.
- 1.3.2. Their challenge is to be competitive against imported fabrics which are coming into the country and even if the local yarn spinners could consistently get the quality in line with imports, it is currently not competitively priced.
- 1.3.3. As part of DesleeClama, an International group, they must use standardised yarns from the same supplier to gain colour consistency, if it is to supply big branded mattress brands from any of the plants around the world.
- 1.4. The tariff structure of the subject product is given in Table 1 below:

**Table 1: Tariff structure of the subject products– input material**

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of Duty			
				General	EU	EFTA	SADC
55.09		Yarn (excluding sewing thread) of synthetic staple fibres, not put up for retail sale:					
	5509.21.00	Containing 85 per cent or more by mass of polyester staple fibres: single yarn	Kg	15%	5%	5%	Free

1.5. The tariff structure for the end products (i.e. knitted fabrics) is given in Table 2 below:

**Table 2: Tariff structure of the end products**

Tariff heading	Tariff sub-heading	Description	Statistical unit	Rate of Duty			
				General	EU	EFTA	SADC
60.06		Other knitted or crocheted fabrics:					
	6006.3	Of synthetic fibres					
	6006.32.90	Dyed: Other	Kg	22%	10%	10%	Free
	6006.33.90	Of yarns of different colours: Other	Kg	22%	10%	10%	Free
	6205.34.90	Printed: Other	Kg	22%	10%	10%	Free

1.6. The existing rebate provision for various yarns classifiable under tariff heading 55.09 does not cater for the subject product, and reads as follows:

Rebate Item	Tariff sub heading	Description	Extent of Rebate
311.41	5402.33	Textured filament yarn of polyester, measuring per single yarn 75 dtex or more but not exceeding 650 dtex and having a tenacity not exceeding 45 cN/tex, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of textiles and textile articles classifiable in Section XI of Part 1 of Schedule No. 1, provided the Commission is satisfied that the subject yarns are not available in the SACU region.	Full duty
311.41	54.03	Artificial filament yarn (excluding sewing thread), not put up for retail sale, including artificial monofilament of less than 67 dtex, in such quantities, at such times and under such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of textile and textile articles classifiable in Section XI of Part 1 of Schedule No. 1, provided the Commission is satisfied that the subject yarns are not available in the SACU region	Full duty

311.41	5509.1	Yarn (excluding sewing thread) containing 85 per cent or more by mass of staple fibres of nylon or other polyamides, not put up for retail sale, in such quantities, at such times and under such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of textile and textile articles classifiable in Section XI of Part 1 of Schedule No. 1, provided the Commission is satisfied that the subject yarns are not available in the SACU region	Full duty
311.41	5509.4	Other yarn (excluding sewing thread) containing 85 per cent or more by mass of synthetic staple fibres, not put up for retail sale, in such quantities, at such times and under such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of textile and textile articles classifiable in Section XI of Part 1 of Schedule No. 1, provided the Commission is satisfied that the subject yarns are not available in the SACU region	Full duty
311.41	5509.51	Other yarn (excluding sewing thread) of polyester staple fibres mixed mainly or solely with artificial staple fibres, not put up for retail sale, in such quantities, at such times and under such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of textile and textile articles classifiable in Section XI of Part 1 of Schedule No. 1, provided the Commission is satisfied that the subject yarns are not available in the SACU region	Full duty
311.41	55.10	Yarn (excluding sewing thread) of artificial staple fibres, not put up for retail sale, in such quantities, at such times and under such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of textile and textile articles classifiable in Section XI of Part 1 of Schedule No. 1, provided the Commission is satisfied that the subject yarns are not available in the SACU region	Full duty

1.7. The application was published in the Government Gazette Notice No. 366 of 2016, on 24 June 2016 for comments by interested parties.

## **2. INDUSTRY AND MARKET**

- 2.1. According to information at the Commission's disposal, the local yarn spinners are Tai Yuen Mills (SA) (Pty) Ltd ("Tai Yuen Textiles") and Standerton Mills (Pty) Ltd.

## **3. COMPETITIVE POSITION**

- 3.1. According to the information at the Commission's disposal, the applicant is not experiencing competitive pressures.

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

- 4.1. Comments in support of the application were received from the Textile Federation of South Africa (Texfed) and Standerton Mills (Pty) Ltd.
- 4.2. Texfed indicated that should the application be successful, the wording of the rebate facility must include a description of the end product (knitted fabric) that is to be manufactured from the imported yarn and that the regulations governing the issuing of rebate permit under the rebate provision be made subject to the non-availability of the subject yarn from local spinners.
- 4.3. Standerton Mills (Pty) Ltd, a local spinner and weaver of light industrial to heavy industrial fabrics and a potential manufacturer of the subject product, did not object to the application. Standerton Mills (Pty) Ltd currently spins coarser yarns while the applicant requires finer yarns with counts of 30tex. However, the support is based on the understanding that the rebate provision will be reviewed annually as Standerton continuously reviews its production mix and sample tests in consultation with the applicant.
- 4.4. Comments opposing the application were received from the Government of Lesotho, Tai Yuen Textile and SACTWU.
- 4.5. The government of Lesotho indicated that Formosa Textile Company based in Lesotho, is a significant spinner of textile yarns. It was further indicated that

Formosa Textile Company has advised that it has the capability to manufacture the subject product. Furthermore, Formosa Textile Company currently supplies a variety of textile yarns to a number of South African textile manufacturers and it is able to make approximately 1 600 tons of open ended and ring spun yarns per month.

- 4.6. Tai Yuen Textiles, a local manufacturer of various types of yarn, and has the capability and capacity to manufacture 16tex to 30tex polyester spun yarn (i.e. the subject product). Furthermore, Tai Yuen Textiles' concern is that the creation of a rebate provision would be open to abuse and misuse as the yarn may be imported for the manufacture of knitted apparel fabrics which would be detrimental to local yarn spinners.
- 4.7. SACTWU's objections centered on the fact that a rebate provision that is introduced because local yarn spinners are perceived to be unable to produce the specific quality required could lead to the products made locally being substituted by foreign yarn which could then be imported duty-free. It is further stated that the applicant mentioned that price would still be a problem even if yarn of the right quality is available locally. SACTWU stated that this is not adequate justification for the derogation of the existing import duty structure.

## **5. FINDINGS**

- 5.1. The Commission found that polyester spun yarn classifiable under tariff subheading 5509.21 is manufactured locally.
- 5.2. The Commission found that there is a local manufacturer and a potential manufacturer of the subject product, namely: Tai Yuen Textiles (SA) (Pty) Ltd and Standerton Mills (Pty) Ltd.
- 5.3. The Commission concluded that the existing duty serves as protection for the encouragement to the domestic industry, employment and investment opportunities available in this sector.



**6. RECOMMENDATION**

- 6.1. In the light of the foregoing, the Commission recommends that the application for a rebate provision for polyester spun yarn classifiable under tariff subheading 5509.21, used for the manufacture of knitted fabrics classifiable under tariff heading 60.06, be rejected.

**[539/2016]**