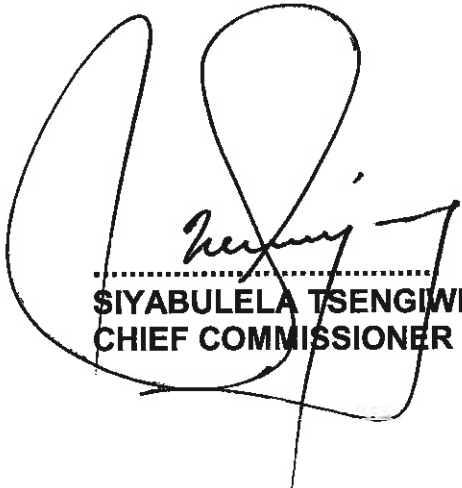


**REPORT NO. 525**

**INCREASE IN THE CUSTOMS DUTY ON ACRYLIC SANITARYWARE**

The International Trade Administration Commission herewith presents its Report No. 525:  
**INCREASE IN THE CUSTOMS DUTY ON ACRYLIC SANITARYWARE**, with  
recommendations.



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**SIYABULELA TSENGIWE**  
**CHIEF COMMISSIONER**

PRETORIA  
17/05/2016

## REPUBLIC OF SOUTH AFRICA

### INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

#### REPORT NO. 525

#### INCREASE IN THE CUSTOMS DUTY ON ACRYLIC SANITARYWARE

##### Synopsis

Libra Bathrooms (Pty) Ltd (Libra Bathrooms), applied for an increase in the rate of duty on acrylic sanitary ware, classifiable in tariff subheading 3922.10, from 20% ad valorem to 30% ad valorem.

The Commission considered the application in light of the information at its disposal. In particular the Commission took the following factors into account:

- The industry manufacturing the subject products is in a position to meet the full market requirements for the subject products;
- The significant price disadvantages experienced vis-à-vis foreign manufacturers exporting the product to SACU;
- The rising level of imports and concomitant erosion of the applicants market share;
- The decline in the level of production, sales, profitability and capacity utilisation.

The Commission concluded that the recommended duty structure should enable the domestic manufacturing industry to return to profitability, utilise its existing under-utilised production capacity and achieve economies of scale resulting in security of volumes with a reduction in the marginal cost of production.

The Commission recommended that the rate of customs duty on baths, shower-baths, sinks and wash-basins of plastics classifiable under tariff subheading 3922.10 be increased from 20 per cent ad valorem to 30 per cent ad valorem, to be reviewed after a period of three years from the date of implementation.

### **THE APPLICATION AND TARIFF POSITION**

1. Libra Bathrooms (Pty) Ltd (Libra Bathrooms), applied for an increase in the rate of duty on baths, shower-baths, sinks and wash-basins, of plastics, classifiable in tariff subheading 3922.10, from 20% ad valorem to 30% ad valorem.
2. Libra Bathrooms is a subsidiary of Distribution and Warehousing Network Limited (DAWN), that comprises three sanitaryware brands: Libra, Plexicor and Vaal Sanitary ware. The applicant's plant is situated in Meyerton.
3. As reason for the application, the applicant, among others, stated that:

*“The main reason for applying for an increase in the customs duty on tariff sub-heading 3922.10 from 20% to 30% is to cushion the domestic industry against low priced imports, to save jobs and to bring the domestic industry back to profitability”.*

4. The application was published in the Government Gazette on 08 December 2015, for interested parties to comment, as follows:

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

*“Acrylic sanitary ware classifiable under tariff subheading 3922.10 from 20% ad valorem to 30% ad valorem”.*

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

**Table 1: Current tariff structure of the subject products**

Tariff heading	Tariff subheading	Description	Statistical Unit	Rate of duty			
				General	EU	EFTA	SADC
39.22		Baths, shower-baths, sinks, wash basins, bidets, lavatory pans, seats and covers, flushing cisterns and similar sanitary ware, of plastics:					
	3922.10	Baths, shower-baths, sinks and wash-basins	kg	20%	free	free	free

Source: SARS

6. The WTO bound rate for the tariff subheading under investigation is 30 per cent ad valorem.

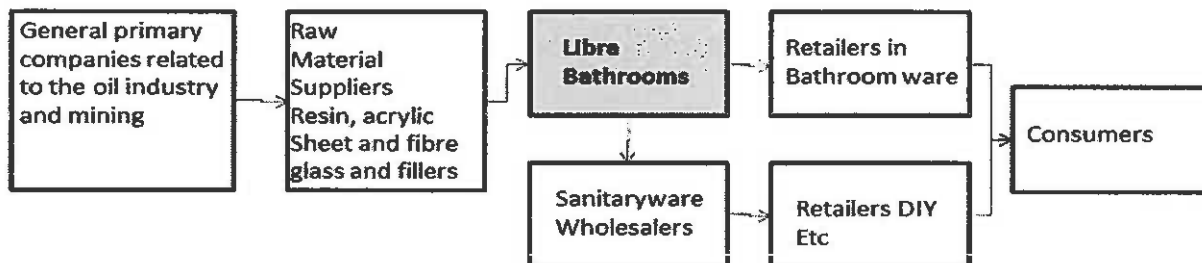
## **INDUSTRY AND MARKET**

7. The product is manufactured from acrylic sheet that is formed over designed moulds. These moulds are manufactured as per market requirement and fashion trends. The acrylic sheet is procured from foreign suppliers that specialize in the manufacture of acrylic sheet. The large acrylic sheets are cut to size. These “sized” acrylic sheets are heated in an oven at temperatures of approximately 180 degrees Celsius.
8. The sheets are soft and pliable and are placed over the moulds where they are vacuum-formed to take on the shape of the desired bath, shower tray or wash basin. The shaped acrylic is at this point given time to cool down and this “shell” is then removed from the mould. The next process takes place when this shell is turned upside down onto a moulded carrier called a “dolly”. The back end of the shell is used as the receiving surface for a resin mix that includes resin, stabilizers and fillers.
9. This resin mix is applied to the acrylic surface together with a fibre glass rope that is chopped into shorter lengths and applied together with the resin mix. After this application process, the materials are rolled down to ensure hardness and the correct texture. The product is thereafter allowed to cure in the curing tunnel. This allows the chemical bonding process to complete its cycle. Finally the product is trimmed, holes

are cut for tap landings and drains, where required, and the product is packaged for the market.

10. Libra Bathrooms' position in the value chain is set out below:

**Value Chain Position of Libra Bathrooms**



11. Libra is one of three domestic producers of acrylic sanitaryware. The others are Sphinx (Pty) Ltd and Tub and Spa Manufacturers (Pty) Ltd.

12. The SARS' official import statistics for the subject products indicate that the total import volumes for acrylic sanitaryware products classifiable under tariff subheading 3922.10, increased over the period 2013-2014 but declined in 2015. A significant portion of the imports into SACU originates in China.

13. Table 2 below reflects import data of products classifiable under tariff subheading 3922.10 for the period 2013-2015:

**Table 2: Import statistics for tariff subheading 3922.10**

	2013	2014	2015
<b>Volume</b>	1 586 271.69 kg	1 933 327.20 kg	1 495 525.25 kg
<b>Value</b>	R 24 842 370	R 40 247 367	R42 846 234
<b>Fob Price per kg</b>	R 15.67	R 20.82	R 28.65

(Source: SARS)

14. Table 3 below shows the percentage market share of the product in question in the SACU.

**Table 3: SACU market share of the product in question**

	2013	2014	2015
Libra Bathrooms	36%	37%	34%
Sphinx (Ceramic Ind.)	29%	26%	33%
Tub and Spa	4%	4%	4%
Imports <sup>1</sup>	31%	33%	29%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Market growth <sup>2</sup>	100	116	100.1

15. Table 3 above, shows that Libra Bathrooms' market share increased by 1 percentage point from 2013 to 2014. However, in the same period the total market registered growth of 16%. Libra Bathrooms' market share declined by 3 percentage points from 2014 to 2015.

## **COMPETITIVE POSITION**

16. Acrylic sheet used for the manufacture of sanitaryware constitutes a significant portion of total production costs and is imported duty-free under an existing rebate provision.

17. The applicant experiences fierce low-priced competition from foreign, especially East Asian manufacturers of the end products.

18. The applicant uses premium quality material and as far as raw material optimisation is concerned, has introduced sheet stretching technology and optimised resin ratios and packaging of the final product.

<sup>1</sup> Although the statistical unit in respect of tariff subheading in question is kilogram (Kg), the statistical quantities have been converted using the ration, 13kg/ bath.

<sup>2</sup> The market growth is calculated using 2013 as a base year.

## **COMMENTS RECEIVED**

19. Objections to the application were received from the following manufacturers and importers: Tub and Spa Manufacturers (Pty) Ltd, Kohler Africa (Pty) Ltd, Tiletoria (Pty) Ltd and MacNeil (Pty) Ltd. The objections centred on the perceived cost-raising effect of the duty.

20. Supporting comments were received from Perspex South Africa (Pty) Ltd and Plastics SA, stating that the applicant is experiencing fierce low-priced competition from abroad.

## **FINDINGS**

21. The Commission considered the application in light of the information at its disposal. In particular the Commission took the following factors into account:

- The industry manufacturing the subject products is in a position to meet the full market requirements for the subject products;
- The significant price disadvantages experienced vis-à-vis foreign manufacturers exporting the product to SACU;
- The rising level of imports and concomitant erosion of the applicants market share;
- The decline in the level of production, sales, profitability and capacity utilisation.

22. The Commission concluded that the recommended duty structure should enable the domestic manufacturing industry to return to profitability, utilise its existing under-utilised production capacity and achieve economies of scale resulting in security of volumes with a reduction in the marginal cost of production.



## **RECOMMENDATION**

23. In light of the foregoing, the Commission recommends that the rate of customs duty on baths, shower-baths, sinks and wash-basins, of plastics classifiable under tariff subheading 3922.10 be increased from 20 per cent ad valorem to 30 per cent ad valorem. It is further recommended that the duty be reviewed after a period of three years from the date of implementation, to determine its impact.

**[15/2015]**