

REPORT NO. 532

**CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF
FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL
CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7210.61 AND
7210.70**

The International Trade Administration Commission herewith presents its Report No. 532: CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7210.61 AND 7210.70, with recommendations.



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CHIEF COMMISSIONER

PRETORIA
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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 532

CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7210.61 AND 7210.70

Synopsis

Defy Appliances (Pty) Ltd applied for the creation of a rebate provision on flat-rolled products of iron or non-alloy steel, classifiable under tariff subheadings 7210.61 and 7210.70. The subject products are flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, painted, or plated or coated, with aluminium-zinc alloys.

The Commission found that the domestic steel producers cannot currently manufacture the products in question on a sustainable basis. AMSA is in the process of investment in new equipment that would enable it to manufacture the products.

The rebate provision recommended below will therefore be made subject to a permit, provided that the products are not satisfactorily available in the SACU market.

In light of the foregoing, the Commission recommends the creation of a rebate provision on flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, classifiable under tariff subheadings 7210.61 and 7210.70.

THE APPLICATION AND TARIFF POSITION

1. Defy Appliances (Pty) Ltd applied for the creation of a rebate provision on flat-rolled products of iron or non-alloy steel, classifiable under tariff subheadings 7210.61 and 7210.70. The subject products are flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, painted, or plated or coated with aluminium-zinc alloys.
2. The applicant is a Durban-based company and also has manufacturing facilities in Ezakheni (Ladysmith) and East London. It manufactures a wide range of products, including white goods such as refrigerators, chest freezers and tumble dryers.
3. The applicant uses the subject products mainly in the manufacture of white goods.
4. As motivation for the application, the applicant, among others, stated that the aluminium-zinc coated steel and painted steel that it imports for the manufacture of domestic household appliances are not manufactured locally.
5. 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	7210.61.00	Plated or coated with aluminium: Plated or coated with aluminium – zinc alloys	kg	10%	Free	Free	Free
72.10	7210.70.00	Painted, varnished or coated with plastics	kg	10%	Free	Free	Free

6. The subject products attract a 10% duty. The WTO bound rate is 10% *ad valorem*.
7. The rate of duty applicable to the white goods manufactured domestically range from 25% *ad valorem* on refrigerators and freezers, and 30% *ad valorem* on washing machines.

8. The application was published in the Government Gazette on 29 April 2016 for comments by interested parties, as follows:

“Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, plated or coated with aluminium-zinc alloys, classifiable in tariff subheading 7210.61, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market; and

Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, painted, varnished or coated with plastics, classifiable in tariff subheading 7210.70, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market.”

INDUSTRY AND MARKET

9. There are three known manufacturers of coated and painted steel in the SACU region:

- ArcelorMittal South Africa Limited (“AMSA”);
- Safal Steel (Pty) Ltd; and
- Duferco Steel Processing (Pty) Ltd.

10. With regards to the final products, there are five known manufacturers of the subject products in the SACU region:

- Defy Appliances (Pty) Ltd - (**Applicant**);
- Whirlpool South Africa (Pty) Ltd;
- Hisense SA Manufacturing (Pty) Ltd;
- Zero Appliances (Pty) Ltd; and
- Palfridge Ltd.

COMPETITIVE POSITION

11. Challenges facing the domestic white goods industry include: increasingly high import volumes; high intermediate input costs, the lack of economies of scale, and the disadvantageous competitive position vis-à-vis imports.
12. The rebate provision will result in a reduction in the cost of intermediate inputs and improve the industry's competitive position against imports of similar final products.

COMMENTS

13. Whirlpool SA (Pty) Ltd supported the application for a rebate provision on flat steel used for the manufacture of appliances in order to remain competitive against imports of the final products.
14. Support for the application was also received from ArcelorMittal South Africa Limited and Safal Steel (Pty) Ltd. Both firms stated that they are not in a position to manufacture the products for which the rebate is requested.
15. Best Board Manufacturing CC, a domestic manufacturer of school writing boards, also supported the application, submitting that the customs duties on this input product would adversely affect its competitive position.

FINDINGS

16. The Commission found that the domestic steel producers cannot currently manufacture the products in question on a sustainable basis. AMSA is in the process of investment in new equipment that would enable it to manufacture the products. The rebate provision recommended below will therefore be made subject to a permit, provided that the products are not satisfactorily available in the SACU market.

RECOMMENDATION

17. In light of the foregoing, the Commission recommends the creation of a rebate provision on flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, classifiable under tariff subheadings 7210.61 and 7210.70, as follows:

“Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, plated or coated with aluminium-zinc alloys, classifiable in tariff subheading 7210.61, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market; and

Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, painted, varnished or coated with plastics, classifiable in tariff subheading 7210.70, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the products are not available in the SACU market.”