

REPORT NO. 544

**REBATE PROVISION FOR CERTAIN GOODS USED IN THE
MANUFACTURE OF FURNITURE CLASSIFIABLE UNDER
TARIFF HEADINGS 94.01, 94.02 AND 94.04**

The International Trade Administration Commission herewith presents its **Report No. 544: REBATE PROVISION FOR CERTAIN GOODS USED IN THE MANUFACTURE OF FURNITURE CLASSIFIABLE UNDER TARIFF HEADINGS 94.01, 94.02 AND 94.04**, with recommendations.



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SIYABULELA TSENGWE
CHIEF COMMISSIONER

PRETORIA
20/02 /2017

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 544

REBATE PROVISION FOR CERTAIN GOODS USED IN THE MANUFACTURE OF FURNITURE CLASSIFIABLE UNDER TARIFF HEADINGS 94.01, 94.02 AND 94.04

Synopsis

Bravo Group Manufacturing (Pty) Ltd applied for a rebate provision to include goods classifiable under tariff subheadings 3926.90.90, 4409.29.90, 7317.00.02, 7317.00.40, 8301.30.00, 8302.10.00, 8302.42.90, and 8305.20.00 used in the manufacture of furniture classifiable under tariff headings 94.01, 94.03 and 94.04.

The subject products include fittings of plastics, wooden dowels, wire nails of iron or steel, staples of iron or steel, lock and keys of base metal, hinges of base metal, base metal mountings and staple in strips of base metal used in the manufacture of furniture.

The Commission found that there are no local manufacturers of goods classifiable under tariff subheadings 3926.90.90, 4409.29.90, 8301.30.00, 8302.10.00 and 8302.42.90 for the manufacturer of furniture. However, the Commission found that there are local manufacturers of staples classifiable under tariff subheadings 7317.00.40 and 8305.20.00 and collated nails classifiable under tariff subheading 7317.00.02.

The Commission found that the customs duty on intermediate inputs not manufactured domestically, classifiable under tariff subheadings 3926.90.90, 4409.29.90, 8301.30.00, 8302.10.00 and 8302.42.90, has a cost-raising effect for the manufacture of furniture.

The Commission concluded that the existing duty on staples classifiable under tariff subheadings 7317.00.40 and 8305.20.00 and collated nails classifiable under tariff

subheading 7317.00.02 serves as support and encouragement to the domestic industry manufacturing these products.

The Commission concluded that duty relief through the creation of a rebate provision would improve the competitive position of the industry manufacturing furniture, enabling it to utilise its installed production capacity and achieve economies of scale with a reduction in the marginal cost of production.

In light of the foregoing, the Commission recommends the amendment of rebate provision 320.01 to include certain goods used in the manufacture of furniture, as follows:

3926.90.90	Fittings of plastics, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
4409.29.90	Wooden dowels (excluding those of bamboo), non-coniferous, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
8301.30.00	Locks and keys of base metal, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
8302.10.00	Hinges of base metal, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
8302.42.90	Base metal mountings, fittings and similar articles suitable for furniture, other, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.

Furthermore, the Commission recommends that the inclusion of staples classifiable under tariff subheadings 7317.00.40 and 8305.20.00 and collated nails classifiable under tariff subheading 7317.00.02 under rebate provision 320.01, be rejected.

THE APPLICATION AND TARIFF POSITION

1. Bravo Group Manufacturing (Pty) Ltd applied for a rebate provision to include goods classifiable under tariff subheadings 3926.90.90, 4409.29.90, 7317.00.02, 7317.00.40, 8301.30.00, 8302.10.00, 8302.42.90, and 8305.20.00 used in the manufacture of furniture classifiable under tariff headings 94.01, 94.03 and 94.04.
2. The subject products include fittings of plastics, wooden dowels, wire nails of iron or steel, staples of iron or steel, lock and keys of base metal, hinges of base metal, base metal mountings and staple in strips of base metal used in the manufacture of furniture.
3. The applicant has five divisions that manufacture various furniture products, namely: Bravo Group Case Goods manufactures case goods in North West (Brits); Bravo Group Sleep Products manufactures sleep products in Gauteng (Johannesburg), Bravo Group Lounge Products' Alpine Lounge and La-Z-Boy manufactures lounge products in Cape Town (Parow Industria); Bravo Group Lounge Products' Gommagomma manufactures lounge products in Kwazulu Natal (Isithebe); Bravo Group Lounge Products' Grafton Everest manufactures lounge products in Kwazulu Natal (Durban).
4. As motivation for the application, the applicant stated that the domestic industry is faced with increasing production costs and that the rebate provision would assist in lowering the cost of production. The applicant also stated that the domestic furniture manufacturing industry is faced with fierce competition from imports of similar final products.
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	Statistica I unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
39.26		Other articles of plastics and articles of other materials of headings 39.01 to 39.14:						
	3926.90	Other:						
	3926.90.90	-- Other	kg	20%	free	10%	free	20%
44.09		Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed:						
	4409.29	-- Other:						
	4409.29.90	--- Other	kg	10%	free	free	free	10%
73.17		Nails, tacks, drawing pins, corrugated nails, staples (excluding those of heading 83.05) and similar articles, of iron or steel, whether or not with heads of other material (excluding such articles with heads of copper):						

	7317.00.02	Wire nails with shanks pointed at one end, presented in strips	kg	15%	free	free	free	15%
	7317.00.40	- Staples kg	kg	10%	free	10%	free	10%
83.01		Padlocks and locks (key, combination or electrically operated), of base metal; clasps and frames with clasps, incorporating locks, of base metal; keys for any of the foregoing articles, of base metal						
	8301.30	- Locks of a kind used for furniture	kg	20%	free	20%	free	20%
83.02		Base metal mountings, fittings and similar articles suitable for furniture, doors, staircases, windows, blinds, coachwork, saddlery, trunks, chests, caskets or the like; base metal hat-racks, hat-pegs, brackets and similar fixtures; castors with mountings of base metal; automatic door closers of base metal						
	8302.10	- Hinges	kg	20%	15%	20%	free	20%
	8302.40	- Other mountings, fittings and similar articles:						
	8302.42	- - Other, suitable for furniture:						
	8302.42.90	- - -Other	kg	20%	free	20%	free	20%
83.05		Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips (for example, for offices, upholstery, packaging), of base metal:						
	8305.20	- Staples in strips	kg	20%	free	20%	free	20%

6. The subject products attract customs duty ranging between 10% and 20% *ad valorem*.

7. The existing tariff structure for the final products is as follows:

Table 3: Current tariff position of the final products

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
94.01		Seats (excluding those of heading 94.02), whether or not convertible into beds, and parts thereof:						
	9401.40	- Seats (excluding garden seats or camping equipment), convertible into beds.	U	20%	free	20%	free	20%
	9401.60	-Other seats, with wooden frames						
	9401.61	--Upholstered	U	20%	free	free	free	20%
	9401.70	-Other seats, with metal frames						
	9401.71	--Upholstered	U	20%	free	20%	free	20%
94.03		Other furniture and parts thereof:						
	9403.30	- Wooden furniture of a kind used in offices	U	20%	free	free	free	20%
	9403.40	Wooden furniture of a kind used in the kitchen	U	20%	free	free	free	20%
	9403.50	Wooden furniture of a kind used in the bedroom	U	20%	free	free	free	20%
	9403.60	Other wooden furniture	U	20%	free	free	free	20%
94.04		Mattresses supports: articles of bedding and similar furnishing (for example, mattresses, quilts, eiderdowns, cushions, pouffes and pillows) fitted with springs and stuffed or internally fitted with any material or cellular rubber or plastics, whether or not covered:						
	9404.10	- Mattresses supports	kg	20%	free	free	free	20%

8. The application was published in the Government Gazette on 26 August 2016 for comments by interested parties, as follows:

Amendment of rebate provision 320.01 by:

The inclusion of goods used in the manufacture of furniture products classifiable under tariff headings 94.01, 94.03 and 94.04, as follows:

3926.90.90	Fittings of plastics, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
4409.29.90	Wooden dowels (excluding those of bamboo), non-coniferous, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
7317.00.02	Wire nails of iron or steel, with shanks pointed at one end, presented in strips, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
7317.00.40	Staples of iron or steel, for use in the manufacture of furniture classifiable in tariff heading 94.01, 9403 and mattress supports of subheading 9404.10.
8301.30.00	Locks and keys of base metal, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
8302.10.00	Hinges of base metal, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
8302.42.90	Base metal mountings, fittings and similar articles suitable for furniture, other, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
8305.20.00	Staples in strips of base metal, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.

INDUSTRY AND MARKET

9. There are over two thousand furniture manufacturers in the SACU region, some of the major manufacturers include:

- Bravo Manufacturing Group (Pty) Ltd (the applicant);
- Coricraft Group (Pty) Ltd;
- Restonic (Pty) Ltd;
- Vita Foam SA (Pty); and
- Techno Lounge (Pty) Ltd.

10. The identified importers of the final products (furniture) include:

- New Clicks South Africa (Pty) Ltd;
- Masstores Pty Ltd;

- Furniture Allure (Pty) Ltd;
- The Furniture Station (Pty) Ltd; and
- SA Poco Retail (Pty) Ltd.

COMPETITIVE POSITION

11. The rebate provision would result in a reduction in the cost of material inputs and improve the domestic furniture manufacturing industry's competitive position against imports of similar final products.

COMMENTS

12. Astor Berning (Pty) Ltd supported the application for the amendment of rebate item 320.01 citing, amongst other things, that the applicable duties on these input goods adversely affects the competitive position of the domestic furniture manufacturing industry.

13. Fournel (Pty) Ltd, South African Wire Association (SAWA) and Dunrose Trading 75 (Pty) Ltd ("Abracon") and Geber Fastening Systems (Pty) Ltd objected to the creation of the rebate provision specifically for staples classifiable under tariff subheadings 7317.00.40 and 8305.20.00 and collated nails classifiable under tariff subheading 7317.00.02 citing that there are local manufacturers of staples and collated nails in the SACU region and that a possible rebate provision would threaten the existing job opportunities in the domestic industry.

FINDINGS

14. The Commission found that there are no local manufacturers of goods classifiable under tariff subheadings 3926.90.90, 4409.29.90, 8301.30.00, 8302.10.00 and 8302.42.90 for the manufacturer of furniture. However, the Commission found that there are manufacturers of staples classifiable under tariff subheadings 7317.00.40 and 8305.20.00 and collated nails classifiable under tariff subheading 7317.00.02.

15. The Commission found that the customs duty on intermediate inputs not manufactured domestically, classifiable under tariff subheadings 3926.90.90, 4409.29.90, 8301.30.00, 8302.10.00 and 8302.42.90, has a cost-raising effect for the manufacture of furniture.

16. The Commission concluded that the existing duty on staples classifiable under tariff subheadings 7317.00.40 and 8305.20.00 and collated nails classifiable under tariff subheading 7317.00.02 serves as support and encouragement to the domestic industry manufacturing these products.

17. The Commission concluded that duty relief through the creation of a rebate provision would improve the competitive position of the industry manufacturing furniture, enabling it to utilise its installed production capacity and achieve economies of scale with a reduction in the marginal cost of production.

RECOMMENDATION

18. In light of the foregoing, the Commission recommends the amendment of rebate provision 320.01 to include certain goods used in the manufacture of furniture, as follows:

3926.90.90	Fittings of plastics, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
4409.29.90	Wooden dowels (excluding those of bamboo), non-coniferous, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
8301.30.00	Locks and keys of base metal, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
8302.10.00	Hinges of base metal, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.
8302.42.90	Base metal mountings, fittings and similar articles suitable for furniture, other, for use in the manufacture of furniture classifiable in tariff headings 94.01, 9403 and mattress supports of subheading 9404.10.

19. Furthermore, the Commission recommends that the inclusion of staples classifiable under tariff subheadings 7317.00.40 and 8305.20.00 and collated nails classifiable under tariff subheading 7317.00.02 under rebate provision 320.01, be rejected.