

REPORT NO. 558

**CREATION OF A REBATE PROVISION FOR VINTAGE AND /OR
INTERNATIONALLY COLLECTABLE MOTOR VEHICLES CLASSIFIABLE
UNDER TARIFF HEADING 87.03.**

The International Trade Administration Commission herewith presents its **Report No. 558: CREATION OF A REBATE PROVISION FOR VINTAGE AND /OR COLLECTABLE MOTOR VEHICLES CLASSIFIABLE UNDER TARIFF HEADING 87.03**, with recommendations.



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CHIEF COMMISSIONER

PRETORIA
24/08/2017

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 558

CREATION OF A REBATE PROVISION FOR VINTAGE AND /OR INTERNATIONALLY COLLECTABLE MOTOR VEHICLES CLASSIFIABLE UNDER TARIFF HEADING 87.03

Synopsis

Franschhoek Motor Museum (Pty) Ltd applied for the creation of a rebate provision for vintage and /or internationally collectable motor vehicles classifiable under tariff heading 87.03.

The Commission found that the vintage and/or internationally collectable motor vehicles are imported for historical, aesthetic and educational purposes. Therefore the creation of a rebate provision would not erode the protection afforded to the local new vehicle manufacturing industry since the subject products are not imported for commercial purposes.

The recommended rebate provision will be made subject to a rebate permit as well as import permit issued by ITAC.

In light of the foregoing, the Commission recommended the creation of a rebate provision for vintage and /or internationally collectable motor vehicles classifiable under tariff heading 87.03.

THE APPLICATION AND TARIFF POSITION

1. Franschhoek Motor Museum (Pty) Ltd applied for the creation of a rebate provision for vintage and /or internationally collectable motor vehicles classifiable under tariff heading 87.03.
2. The applicant operates a museum dedicated to the preservation and documentation of automotive history as well as vintage and / or internationally

collectable motor vehicles. The applicant educates the general public about the expansive automotive heritage through display, programs and publications.

3. The subject product is a finished product with no further processing required except the restoration required in bringing the vehicle back to its original condition when such vehicle has not been maintained or preserved.

4. As motivation for the application the applicant cited *inter alia*, the following:

- i. The company conducts its museum on a global platform whereby it promotes to attract visitors from around the world;
- ii. The museums actively promotes collectable vehicles to the general public by restoring, maintaining and putting them on display and providing detailed technical and historical information on them and thereby promoting cultural awareness;
- iii. The current customs duties on the subject product negatively impacts on the attempt to collect, safeguard and promote vintage and /or internationally collectable motor vehicles of significant historical and cultural value into SACU as these duties add a substantial additional cost to the vehicle, decreasing the museum's buying power and making it uncompetitive; and
- iv. The motor vehicles are not imported for general automotive use and do not compete with the locally manufactured vehicles.

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

Table 1: Current tariff position for the subject products

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
87.03		Motor cars and other motor vehicles principally designed for the transport of persons (excluding those of heading 87.02), including station wagons and racing cars:						
	8703.2	Other vehicles, with spark-ignition internal combustion reciprocating piston engine:						
	8703.21	Of a cylinder capacity not exceeding 1 000 cm ³ :						
	8703.21.90	Other	U	25%	free	free	free	25%
	8703.22	Of a cylinder capacity exceeding 1 000 cm ³ but not exceeding 1 500 cm ³ :						
	8703.22.90	Other	U	25%	18%	25%	free	25%
	8703.23	Of a cylinder capacity exceeding 1 500 cm ³ but not exceeding 3 000 cm ³ :						
	8703.23.90	Other	U	25%	18%	25%	free	25%
	8703.24	Of a cylinder capacity exceeding 3 000 cm ³ :						
	8703.24.90	Other	U	25%	18%	25%	free	25%
	8703.3	Other vehicles, with only compression-ignition internal combustion piston engine (diesel or semi-diesel):						
	8703.31	Of a cylinder capacity not exceeding 1 500 cm ³ :						
	8703.31.90	Other	U	25%	18%	25%	free	25%
	8703.32	Of a cylinder capacity exceeding 1 500 cm ³ but not exceeding 2 500 cm ³ :						
	8703.32.90	Other	U	25%	18%	25%	free	25%
	8703.33	Of a cylinder capacity exceeding 2 500 cm ³ :						
	8703.33.90	Other	U	25%	18%	25%	free	25%

Source: SARS, 2016

6. The subject products attract a general rate of customs duty of 25 per cent *ad valorem*. The applicable WTO bound rate is 30 per cent *ad valorem*.

7. The application was published in the Government Gazette on 17 April 2017 for comments by interested parties, as follows:

“Motor cars and other motor vehicles principally designed for the transport of persons (excluding commercial vehicles or buses) including station wagons and racing cars classifiable under tariff subheading 8703, which were manufactured 40 years or more prior to the date of importation and /or such motor cars of any age which are determined to be International collector’s vehicles by the International Trade Administration Commission (ITAC) and subject to the issuing of an ITAC import permit (and subject to import control conditions) authorising the importation of

the particular vehicle, under such conditions as ITAC may allow by specific rebate permit.”

INDUSTRY AND MARKET

8. The subject products include vintage or internationally collectable vehicles with enough historical interest to be collected and worth restoring rather than scrapping. The subject product is a finished product with no further processing required except the restoration required in bringing the vehicle back to its original condition when such vehicle has not been maintained or preserved.

9. Figure 1 below shows some of the vehicles collected by the museum.

Figure 1: vintage cars



Source: *The applicant, 2016*

10. A collectable vehicle in its nature is not a luxury item and is not retained for usage, but rather for capital appreciation and/or historic reasons.

11. The importation and subsequent display of the vintage and/or international collectable motor vehicles benefit the general public by teaching it about the evolution of the motor vehicles including but not limited to the evolution of the automotive engines.

12. The number of visitors to the motor museums in SACU has been rising consistently over recent years and many of the visitors are international tourists.

13. There are approximately 47 collectors in South Africa who are members of the Southern African Veteran and Vintage Association (SAVVA). These collectors are mostly located in the Western Cape, Kwa-Zulu Natal and Gauteng Provinces.
14. It is also estimated that there are more than 10 000 small and medium businesses in SACU that are involved in the maintenance, repair and refurbishment of the subject products. Scarce skills such as vehicle spray painting, traditional panel beating repairs, the refurbishment of mechanical components, upholstery and interior trim repairs are rapidly expanding in accordance with the demand of the subject products.

COMPETITIVE POSITION

15. A challenge facing the museum is the high cost of the imported motor vehicle as the customs duty add substantial cost to the vehicles resulting in decreased buying power and uncompetitiveness.
16. The creation of a rebate provision would not have any negative impact on the SACU new vehicle manufacturing industry since the subject products are imported for non-commercial purposes.
17. The vehicle may not be offered, lent, hired, leased, pledged, given away, exchanged, sold or otherwise be disposed of in the SACU for a period of two years from the date of clearance for home consumption into the Republic.

COMMENTS

18. The Southern African Veteran and Vintage Association (SAVVA), Motorsport South Africa, Motor Sport Legend, the Retail Motor Industry Organisation, Garden Route Motor Club, Pretoria Old Motor Club, Vryheid Vintage Car Club, Mr Giles Millard (in his personal capacity), Botswana's Ministry of Investment, Trade and Industry and the International Vehicle Identification Desk of Southern Africa (IVID) supported the application for a rebate provision for vintage and /or

internationally collectable motor vehicles as this would create further employment in the restoration, maintenance and repairs sectors.

19. Support for the application was also received from the National Association of Automobile Manufacturers of South Africa (NAAMSA), stating that the creation of a rebate provision would not have any negative impact on the SACU new vehicle manufacturing industry.

FINDINGS

20. The Commission found that the vintage and /or internationally collectable motor vehicles are imported for historical, aesthetic and educational purposes. Therefore the creation of a rebate provision would not erode the protection afforded to the local new vehicle manufacturing industry since the subject products are not imported for commercial purposes.

21. The recommended rebate provision will be made subject to a rebate permit as well as import permit issued by ITAC.

22. The vehicle may not be offered, lent, hired, leased, pledged, given away, exchanged, sold or otherwise be disposed of in the SACU for a period of two years from the date of clearance for home consumption into the Republic.

RECOMMENDATION

23. In light of the foregoing, the Commission recommends the creation of a rebate provision for vintage and /or internationally collectable motor vehicles classifiable under tariff heading 87.03, as follows:

“Motor cars and other motor vehicles principally designed for the transport of persons (excluding commercial vehicles or buses) including station wagons and racing cars classifiable under tariff subheading 87.03, which were manufactured 40 years or more prior to the date of importation and/ or such motor cars of any age which are determined to be International collector’s vehicles by the International

Trade Administration Commission (ITAC) and subject to the issuing of an ITAC import permit (and subject to import control conditions) authorising the importation of the particular vehicle, under such conditions as ITAC may allow by specific rebate permit.”