

REPORT NO.563

**CREATION OF A TEMPORARY REBATE FACILITY FOR THE
IMPORTATION OF CERTAIN STRUCTURAL STEEL IN THE FORM OF U,
I, H AND L SECTIONS CLASSIFIABLE UNDER TARIFF SUBHEADINGS
7216.40 AND 7228.70**

The International Trade Administration Commission herewith presents its **Report No.563: CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF CERTAIN STRUCTURAL STEEL IN THE FORM OF U, I, H AND L SECTIONS CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7216.40 AND 7228.70**, with recommendations.



SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA
30/10/2017

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 563

CREATION OF A TEMPORARY REBATE FACILITY FOR THE IMPORTATION OF CERTAIN STRUCTURAL STEEL IN THE FORM OF U, I, H AND L SECTIONS CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7216.40 AND 7228.70

Synopsis

The South African Iron and Steel Institute, representing Aveng Trident Steel, a division of Aveng Africa (Pty) Ltd, applied for the creation of a temporary rebate facility on certain structural steel in the form of U, I, H, and L sections, not further worked than hot-rolled, hot-drawn or extruded classifiable under tariff subheadings 7216.40 and 7228.70.

The Commission considered the application in the light of the information at its disposal. The Commission found that the specific steel sections classifiable under tariff subheading 7216.40 are currently manufactured locally.

The Commission also found that the subject products classifiable under tariff subheading 7228.70 are manufactured locally with the exception of certain sizes of I and H sections. The specific range that is not currently manufactured locally is the structural steel of other alloy steel in form of I sections of a height of 530 mm or more and in the form of H sections of a height and width of 300 mm x 300mm or more. As such, the duty on these sections has an unnecessary cost raising effect for the downstream industry.

The duty relief on the subject products will contribute to a reduction in the cost of production leading to an improved competitive position of the downstream industry.

The rebate provision will be made subject to an ITAC permit in terms of guidelines, rules and conditions.

In light of the foregoing, the Commission recommended the following:

- a. The creation of a temporary rebate facility on structural steel in the form of I sections, of other alloy steel, not further worked than hot-rolled, hot-drawn or extruded of a height of 530 mm or more classifiable under tariff subheading 7228.70;
- b. The creation of a temporary rebate facility on structural steel in the form of H sections, of other alloy steel, not further worked than hot-rolled, hot-drawn or extruded of a height and width of 300 mm X 300 mm or more classifiable under tariff subheading 7228.70; and
- c. The rejection of an application for the creation of a temporary rebate facility on structural steel in the form of U and L sections, of alloy or non-alloy, not further worked than hot-rolled, hot-drawn or extruded, of a height exceeding 150 mm classifiable under tariff subheadings 7216.40 and 7228.70.

THE APPLICATION AND TARIFF POSITION

1. The South African Iron and Steel Institute (SAISI), representing Aveng Trident Steel, a division of Aveng Africa (Pty) Ltd, applied for the creation of a temporary rebate facility on certain structural steel in the form of U, I, H, and L sections, not further worked than hot-rolled, hot-drawn or extruded, classifiable under tariff subheadings 7216.40 and 7228.70. The specific products are as follows:

- L sections, not further worked than hot-rolled, hot-drawn or extruded, of a height exceeding 150 mm, classified in tariff subheading 7216.40;
- U, I or H sections, of other alloy steel, not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm or more, classified in tariff subheading 7228.70; and

- L sections, of other alloy steel, not further worked than hot-rolled, hot-drawn or extruded, of a height exceeding 150 mm, classified in tariff subheading 7228.70.
2. The applicant's main operations are centrally situated in Roodekop and Germiston with branches in Alrode, Rosslyn, Durban, Port Elizabeth and Cape Town.
 3. The applicant's capabilities range from the supply of steel products and the manufacturing of automotive components, reinforcing bars, pipes and tubes and steel fabrication. The applicant is also an importer of various steel products including the subject products for distribution to the downstream manufacturers.
 4. The applicant cited, *inter alia*, the following reasons as motivation for the application:
 - There are no local manufacturers of the subject products in the SACU region. EVRAZ Highveld Steel and Vanadium Limited (EVRAZ) was the sole manufacturer of the subject products before it ceased production in 2015; and
 - The current duty has an unnecessary cost raising effect for the downstream industry and the creation of a rebate provision will assist the downstream manufacturers to compete against similar imported finished products.
 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	MERCOSUR
72.16		Angles, shapes and sections of iron or non-alloy steel:						
	7216.40	"L" or "T" sections, not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm or more	kg	10%	Free	Free	Free	10%
72.28		Other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel:						
	7228.70	Angles, shapes and sections	kg	10%	Free	Free	Free	10%

6. The subject products attract a 10% *ad valorem* duty. The WTO bound rate is 10% *ad valorem*.

7. The application was published in the Government Gazette on 21 April 2017 for the interested parties to comment as follows:

CREATION OF A TEMPORARY REBATE FACILITY ON STRUCTURAL STEEL IN THE FORM OF U, I, H AND L SECTIONS, OF OTHER ALLOY STEEL, NOT FURTHER WORKED THAN HOT-ROLLED, HOT-DRAWN OR EXTRUDED, OF A HEIGHT OF 80MM OR MORE CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7216.40 AND 7228.70:

Rebate Item	Tariff Heading	Rebate code	Description	Extent of Rebate
460	7216.40	-	L sections, not further worked than hot-rolled, hot-drawn or extruded, of a height exceeding 150 mm, classifiable in tariff subheading 7216.40, 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 on the SACU market;	Full duty
460	7228.70	-	U, I or H sections, of other alloy steel, not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm or more, classifiable in tariff subheading 7228.70, 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 on the SACU market;	Full duty
460	7228.70	-	"L" sections, of other alloy steel, not further worked than hot-rolled, hot-drawn or extruded, of a height exceeding 150 mm, classifiable in tariff subheading 7228.70, 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 on the SACU market	Full duty

INDUSTRY AND MARKET

8. The subject products are structural steel sections in the form of U, I, H and L sections. They are hot-rolled, hot-drawn or extruded products and are manufactured from low to medium carbon or alloy steel.

9. The main inputs used in the manufacture of the subject products are billets and blooms, which are in turn made from virgin iron ore or steel scrap.

10. Generally, the manufacture of structural steel begins with the process of iron making and then steel making. The raw material is then transformed into either billets or

blooms. The billets and blooms then go into a hot-rolling process where it is fed into a rolling mill and controlled cooling bed where the large structural sections are formed.

11. The end product is primarily used as an input into the engineering, fabrication and construction industries.
12. EVRAZ has through a Contract Manufacturing Agreement (CMA) with ArcelorMittal South Africa Limited, resumed rolling its traditional structural steel product range in April 2017 and has to date produced in excess of 22 000 tons. Under the relevant CMA, AMSA is supplying the primary material (i.e. blooms and slabs) to the mill and has the option to purchase the mill after 18 months.
13. The subject steel sections classifiable under tariff subheading 7216.40 are currently manufactured locally by EVRAZ.
14. The subject products classifiable under tariff subheading 7228.70 are manufactured by EVRAZ with the exception of certain sizes of I and H sections. The specific range that is not currently manufactured locally is the structural steel of other alloy steel in form of I sections of a height of 530 mm or more and in the form of H sections of a height and width of 300 mm x 300mm or more.
15. The companies identified as the major importers of the subject products include the following:
 - Macsteel Service Centre SA (Pty) Ltd;
 - Robor Tube and Pipes (Pty) Ltd; and
 - Steel Bank Merchants (Pty) Ltd.

COMPETITIVE POSITION

16. The duty relief on the subject products will contribute to a reduction in the cost of production leading to an improved competitive position of the downstream industry. This will also enable the downstream industry to compete against similar imported finished products.

COMMENTS

17. Support for the application was received from Robor Tubes and Pipes (Pty) Ltd and Steelbank Merchants (Pty) Ltd. Both companies cited that there is no local manufacturer of the subject products and that the current customs duty renders the products uncompetitive, encouraging the use of substitute products, such as concrete slabs.
18. EVRAZ supported the creation of temporary rebate facility for certain ranges in respect of I and H sections which are not currently available locally. The specific range being structural steel of other alloy steel in form of I sections of a height of 530 mm or more and in the form of H sections of a height and width of 300 mm x 300mm or more, classifiable under tariff subheading 7228.70.

FINDINGS

19. The Commission found that EVRAZ had through a Contract Manufacturing Agreement (CMA) with AMSA resumed rolling its traditional structural steel product range in April 2017.
20. The Commission found that the subject steel sections classifiable under tariff subheading 7216.40 are currently manufactured locally.
21. The Commission also found that the subject products classifiable under tariff subheading 7228.70 are manufactured locally with the exception of certain sizes of I and H sections. The specific range that is not currently manufactured locally is the structural steel of other alloy steel in form of I sections of a height of 530 mm or more and in the form of H sections of a height and width of 300 mm x 300mm or more. As such, the duty has an unnecessary cost-raising effect for the downstream industry.
22. The duty relief on the subject products will contribute to a reduction in the cost of production leading to an improved competitive position of the downstream industry.

23. The rebate provision will be made subject to an ITAC permit in terms of guidelines, rules and conditions.

RECOMMENDATION

24. In light of the foregoing, the Commission recommends the following:

- a. The creation of a temporary rebate facility on structural steel in the form of I sections, of other alloy steel, not further worked than hot-rolled, hot-drawn or extruded of a height of 530 mm or more classifiable under tariff subheading 7228.70;
- b. The creation of a temporary rebate facility on structural steel in the form of H sections, of other alloy steel, not further worked than hot-rolled, hot-drawn or extruded of a height and width of 300 mm X 300 mm or more classifiable under tariff subheading 7228.70; and
- c. The rejection of the application for the creation of a temporary rebate facility on structural steel in the form of U and L sections, of alloy or non-alloy, not further worked than hot-rolled, hot-drawn or extruded, of a height exceeding 150 mm classifiable under tariff subheadings 7216.40 and 7228.70.