


REPORT NO. 565

**CREATION OF A TEMPORARY REBATE PROVISION ON
SAFEGUARD DUTY APPLICABLE TO CERTAIN HOT
ROLLED STEEL CLASSIFIABLE UNDER TARIFF
HEADINGS 72.08 AND 72.25**

The International Trade Administration Commission herewith presents its **Report No. 565: CREATION OF A TEMPORARY REBATE PROVISION ON SAFEGUARD DUTY APPLICABLE TO CERTAIN HOT ROLLED STEEL CLASSIFIABLE UNDER TARIFF HEADINGS 72.08 AND 72.25**, with recommendations.



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PRETORIA
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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

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**CREATION OF A TEMPORARY REBATE PROVISION ON SAFEGUARD DUTY
APPLICABLE TO CERTAIN HOT ROLLED STEEL CLASSIFIABLE UNDER TARIFF
HEADINGS 72.08 AND 72.25**

Synopsis

Afrit (Pty) Ltd applied for the creation of a temporary rebate provision on the safeguard duty for the importation of certain hot rolled steel, classifiable under tariff headings 72.08 and 72.25. The subject products can be categorised into two main categories, namely, hot-rolled structural cold-forming steel with minimum yield strength of 700 MPa and hot-rolled abrasion resistant steel with a nominal hardness of 450 HBW.

The Commission considered the application in light of the information at its disposal. The Commission found that the domestic primary steel industry cannot manufacture the specific hot rolled steel that has the technical specifications required for the manufacture of trailers. As such, the safeguard duty has an unnecessary cost-raising effect.

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

In light of the foregoing, the Commission recommends the creation of a temporary rebate provision on the safeguard duty applicable to certain hot rolled steel classifiable under tariff headings 72.08 and 72.25, as outlined in paragraph 21 of this report.

THE APPLICATION AND TARIFF POSITION

1. Afrit (Pty) Ltd applied for the creation of a temporary rebate provision on the safeguard duty for the importation of certain hot rolled steel, classifiable under tariff headings 72.08 and 72.25. The subject products can be categorised into two main categories, namely, hot-rolled structural cold-forming steel with minimum yield strength of 700 MPa and hot-rolled abrasion resistant steel with a nominal hardness of 450 HBW.
2. The applicant's manufacturing plant is located in Rosslyn, Pretoria. The applicant also has sales offices in Boksburg, Bloemfontein, Durban and Cape Town.
3. The applicant uses the subject products for the manufacture of trailers for road transport.
4. As motivation for the application, the applicant, among others, stated that hot rolled steel used for the manufacture of trailers is not manufactured in the SACU region. The applicant also stated that it is working with the domestic steel industry to develop the required specifications for the subject products.
5. The existing safeguard duty structure for the subject products is as follows:

Table 1: Current safeguard duty structure for the subject products

Item	Tariff Heading	Code	CD	Description	Rebate Items	Imported from or Originating in	Rate of Safeguard
260.00	BASE METALS AND ARTICLES OF BASE METAL						
260.03	72.08	01.04	47	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan) Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal,	301.00-399.00; 401.00-499.00	All countries	12%

				Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)			
260.03	7225.40	01.06	67	Other, not further worked than hot-rolled, not in coils(excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Chinese Taipei (Taiwan) Colombia, Comoros, Congo (Democratic Republic of the), Congo, Republic, Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, Arab Republic, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Islamic Republic, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea, Democratic Peoples Republic of, Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia, the Former Yugoslav Republic of, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Federated States of, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, united Republic of, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela, Bolivarian Republic of), Vietnam, West Bank and Gaza, Yemen, Zambia, Zimbabwe)	301.00-399.00; 401.00-499.00	All countries	12%

6. The subject products currently attract a 12% safeguard duty. The safeguard duty will be liberalised to 10%, 8% and free of duty on 11 August 2018, 11 August 2019 and 11 August 2020, respectively.
7. The rate of ordinary customs duty applicable to the subject products is 10% *ad valorem*. The WTO bound rate is 10% *ad valorem*.
8. The rate of ordinary customs duty applicable to trailers is 15% *ad valorem*. There is currently no anti-dumping, safeguard or countervailing duty applicable on trailers.
9. The application was published in the Government Gazette on 15 September 2017 for comments by interested parties, as follows:

The creation of a temporary rebate facility on safeguard duty for the importation of certain hot rolled steel classifiable under tariff headings 72.08 and 72.25, as follows:

“Flat-rolled products of iron or non-alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of 3 mm or more but not exceeding 8 mm,(excluding those with a Brinell harness of 425 HBW or more) with a yield strength of 700 MPa or more, classifiable in tariff heading 7208.5, 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;

Flat-rolled products of iron or non-alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of less than 3 mm or more than 8 mm, (excluding those with a Brinell harness of 425 HBW or more) with a yield strength of 700 MPa or more, classifiable in tariff heading 7208.5, 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;

Flat-rolled products of iron or non-alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of 2 mm or more but not exceeding 10 mm with a Brinell hardness of 425 HBW or more, classifiable in tariff heading 7208.5, 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;

Flat-rolled products of other alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of 3 mm or more but not exceeding 8 mm, (excluding those with a Brinell harness of 425 HBW or more) with a yield strength of 700 MPa or more, classifiable in tariff subheading 7225.40, 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 in the SACU market;

Flat-rolled products of other alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of less than 3 mm or more than 8 mm, (excluding those with a Brinell harness of 425 HBW or more) with a yield strength of 700 MPa or more, classifiable in tariff subheading 7225.40, 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 in the SACU market; and

Flat-rolled products of other alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of 2 mm or more but not exceeding 10 mm with a Brinell hardness of 425 HBW or more, classifiable in tariff subheading 7225.40, 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 in the SACU market.”

INDUSTRY AND MARKET

10. The subject products can be categorised into two main categories, namely, hot-rolled structural cold-forming steel with minimum yield strength of 700 MPa and hot-rolled abrasion resistant steel with a nominal hardness of 450 HBW.
11. The imported subject products have the distinct bending and welding properties required for the manufacture of trailers.
12. Trailers are used for road transport which is the primary transport medium across Southern Africa and the rest of the African continent. The reliability, convenience, security and time management of road transport continue to make it a preferred mode of transportation across multiple industries.
13. There are no known manufacturers of the specific hot rolled steel that has the bending and welding specifications required for the manufacture of trailers.
14. With regards to the final products, apart from the applicant there are other manufacturers of trailers in the SACU region, that include, amongst others:
 - SA Truck Bodies Group;
 - Paramount Trailers (Pty) Ltd; and
 - CTS Trailers (Pty) Ltd.

COMPETITIVE POSITION

15. The rebate provision will contribute to a reduction in the cost of production and improvement in the competitive position of the domestic industry manufacturing trailers for the transport industry in SACU.

COMMENTS RECEIVED

16. ArcelorMittal South Africa Limited (AMSA), a domestic primary steel producer, supported the application citing that it does not manufacture the subject products and that it is

continuously working with the local trailer manufacturing industry to develop the required specifications for the subject products.

17. Support for the application was also received from the Republic of Botswana's Ministry of Investment, Trade and Industry, National Association of Automobile Manufacturers of South Africa (NAAMSA), Nissan South Africa (Pty) Ltd and Macsteel Service Centres SA (Pty) Ltd.

FINDINGS

18. The Commission found that the domestic primary steel industry cannot manufacture the specific hot rolled steel that has the technical specifications required for the manufacture of trailers. As such, the duty has an unnecessary cost-raising effect.

19. The duty relief through the creation of a rebate provision will contribute to a reduction in the cost of production and improvement in the competitive position of the domestic industry manufacturing trailers for the transport industries in SACU.

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

RECOMMENDATION

21. In light of the foregoing, the Commission recommends the creation of a temporary rebate provision on the safeguard duty applicable to hot rolled steel, classifiable under tariff headings 72.08 and 72.25, as follows:

"Flat-rolled products of iron or non-alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of 3 mm or more but not exceeding 8 mm, (excluding those with a Brinell hardness of 425 HBW or more) with a yield strength of 700 MPa or more, classifiable in tariff heading 7208.5, 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;

Flat-rolled products of iron or non-alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of less than 3 mm or more than 8 mm, (excluding those with a Brinell hardness of 425 HBW or more) with a yield strength of 700 MPa or more, classifiable in tariff heading 7208.5, 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;

Flat-rolled products of iron or non-alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of 2 mm or more but not exceeding 10 mm with a Brinell hardness of 425 HBW or more, classifiable in tariff heading 7208.5, 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;

Flat-rolled products of other alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of 3 mm or more but not exceeding 8 mm, (excluding those with a Brinell hardness of 425 HBW or more) with a yield strength of 700 MPa or more, classifiable in tariff subheading 7225.40, 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 in the SACU market;

Flat-rolled products of other alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of less than 3 mm or more than 8 mm, (excluding those with a Brinell hardness of 425 HBW or more) with a yield strength of 700 MPa or more, classifiable in tariff subheading 7225.40, 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 in the SACU market; and

Flat-rolled products of other alloy steel, of a width exceeding 600 mm or more but not exceeding 1800 mm, not in coils, not further worked than hot-rolled and of a thickness of 2 mm or more but not exceeding 10 mm with a Brinell hardness of 425 HBW or more, classifiable in tariff subheading 7225.40, 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 in the SACU market.”