

**REPORT NO. 566**

**INCREASE IN THE CUSTOMS DUTY ON SELF-ADHESIVE TAPE**

The International Trade Administration Commission of South Africa herewith presents its Report No. 566: **Increase in the customs duty on self-adhesive tape.**



.....  
**Siyabulela Tsengiwe**  
**CHIEF COMMISSIONER**

PRETORIA  
31/10/2017

# REPUBLIC OF SOUTH AFRICA

## INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

### REPORT NO. 566

#### INCREASE IN THE CUSTOMS DUTY ON SELF-ADHESIVE TAPE

##### Synopsis

Sicad SA (Pty) Ltd (Sicad), hereon referred to as the applicant, applied for an increase in the rates of customs duty on biaxially oriented polymers of propylene (excluding those that are self-adhesive on both sides), of a width not exceeding 200 mm classifiable in tariff subheadings 3919.10.43 and 3919.10.41 from 10% *ad valorem* and free of duty, respectively, to 20% *ad valorem*, by also amending the scope of tariff subheadings 3919.10.43 and 3919.10.47.

The Commission found that:

- The industry manufacturing the subject product is in a position to meet the full market requirements for the range of self-adhesive tapes as described in the tariff structure;
- Significant price disadvantages are experienced vis-à-vis foreign manufacturers exporting the product to SACU;
- The domestic industry is unable to compete with imported products, given the existing duty structure. This adversely affects domestic investment and employment opportunities;
- Levels of production, sales, profitability and capacity utilisation have declined; and
- The withdrawal of the rebate provision on Bopp film for the manufacture of self-adhesive tape to support domestic production of Bopp film, had a cost-raising effect for the downstream industry.

On balance, the recommended duty structure and increase to 20% *ad valorem* would enable the domestic industry manufacturing self-adhesive tapes to fully utilise existing

under-utilised production capacity thereby achieving cost advantages arising from increased output due to operational efficiencies.

The Commission also found that as a result of the recent withdrawal of the rebate provision on plates, sheets, film, foil and strip, of polymers of propylene, biaxially oriented, for the manufacture of self-adhesive tape of subheading 3919.10, the applicant is now sourcing its input requirement of Bopp films domestically, from SRF Flexipak (Pty) Ltd (SRF).

In light of the foregoing, the Commission recommended an increase in the rate of duty on biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides), of a width not exceeding 200mm classifiable in tariff subheadings 3919.10.43 and 3919.10.41 from 10% *ad valorem* and free of duty, respectively, to 20% *ad valorem* by amending the scope of tariff subheading 3919.10.43 to the following: "Of biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides) and amend the description of tariff subheading 3919.10.47 to the following: "Other biaxially oriented polymers of propylene, self-adhesive on both sides" at free of duty.

## **THE APPLICATION AND TARIFF POSITION**

1. Sicad SA (Pty) Ltd (Sicad), hereon referred to as the applicant, applied for an increase in the rates of customs duty on biaxially oriented polymers of propylene (excluding those that are self-adhesive on both sides), of a width not exceeding 200 mm classifiable in tariff subheadings 3919.10.43 and 3919.10.41 from 10% *ad valorem* and free of duty, respectively, to 20% *ad valorem*, by also amending the scope of tariff subheadings 3919.10.43 and 3919.10.47.
2. As reasons for the application, the applicant, among others, stated that:
  - The imports of similar products have had an adverse impact on the applicant's investment and employment opportunities due to fierce competition from low priced imports.

- The recent decision as contained in ITAC's Report No 518 of 2016, to withdraw the rebate item that made provision for rebate of duty on plates, sheets, film, foil and strip, of polymers of propylene, biaxially oriented, used for the manufacture of self-adhesive tape of subheading 3919.10, has resulted in an increase in the input cost of manufacturing the final product.
3. The application was published in the Government Gazette on 15 June 2017, for interested parties to comment, as follows:

**Increase in the rate of customs duty on:**

*“Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides), in rolls of width not exceeding 25mm and of value for duty purposes exceeding 1300c/m<sup>2</sup>, classifiable in tariff subheading 3919.10.41, from free of duty to 20% ad valorem; and biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides), of a width not exceeding 200mm, classifiable in tariff subheadings 3919.10.43 and 3919.10.47 from 10% ad valorem and free of duty, respectively, to 20% ad valorem, by amending the scope of tariff subheading 3919.10.47 to the following: “Of biaxially oriented polymers of propylene, self-adhesive on both sides”.*

*The duty on self-adhesive biaxially oriented polymers of propylene will remain unchanged at free of duty for 3919.10.47.”*

4. The existing tariff structure for the subject product reads as follows:

**Table 1: Tariff structure for self-adhesive tapes**

Heading/ Tariff subheading	Article Description	S. Unit	Rate of duty				
			General	EU	EFTA	SADC	MERCOSUR
39.19	<b>Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls:</b>						
3919.10	<b>In rolls of a width not exceeding 20 cm:</b>						
3919.10.41	Of biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides), of a width not exceeding 25mm and of a value for duty purposes exceeding 1 300c/m <sup>2</sup>	kg	free	free	free	free	free
3919.10.43	Of biaxially oriented polymers (excluding that which is self-adhesive on both sides), of a width not exceeding 150mm	kg	10%	free	free	free	10%
3919.10.47	Other, of biaxially oriented polymers of propylene	kg	free	free	free	free	free

5. The WTO bound rate in respect of the three tariff subheadings in question is 20% *ad valorem*.

6. The tariff structure as requested by the applicant is as follows:

**Table 2: Requested tariff structure**

Tariff subheading	Article Description	S. Unit	Rate of duty				
			General	EU	EFTA	SADC	MERCOSUR
39.19	<b>Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls:</b>						
3919.10	<b>In rolls of a width not exceeding 20 cm:</b>						
3919.10.41	Of biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides), of a width not exceeding 25mm and of a value for duty purposes exceeding 1 300c/m <sup>2</sup>	kg	20%	free	free	free	free
3919.10.43	Of biaxially oriented polymers (excluding that which is self-adhesive on both sides), of a width not exceeding 200mm	kg	20%	free	free	free	10%
3919.10.47	Other, of biaxially oriented polymers of propylene, self-adhesive on both sides	kg	free	free	free	free	free

7. The applicant's request for the new tariff dispensation, in particular with regards to tariff subheading 3919.10.47, is to eliminate circumvention of customs duty and to allow for a distinction between double-sided tape and single-sided self-adhesive tape.
8. In ITAC's Report No 518, the Commission recommended the withdrawal of the rebate provision for plates, sheets, film, foil and strip, of polymers of propylene, biaxially oriented, for the manufacture of self-adhesive tape of subheading 3919.10. The Commission envisaged that the withdrawal of the above-mentioned rebate provision would improve the competitive position of the domestic industry manufacturing biaxially oriented polymers of propylene (Bopp) film to enable it to utilise its significantly under-utilised capacity and achieve economies of scale.

### **INDUSTRY AND MARKET**

9. Bopp film is produced from polypropylene, which is manufactured locally by Safripol and Sasol. Bopp film is manufactured locally by SRF Flexipak (Pty) Ltd (SRF) and Everest Flexibles (Pty) Ltd.
10. Self-adhesive tapes are manufactured from uncoated Bopp film by the applicant and Hon Shin Enterprise (Pty) Ltd, based in Bloemfontein, that supply approximately 70% of the domestic market with self-adhesive tapes.
11. There are in the main two types of adhesives used in the manufacturing of self-adhesive tapes, namely acrylic water based adhesive and hot-melt adhesive. The applicant applies hot-melt adhesive during the production of self-adhesive tapes, while the other local manufacturer, Hon Shin Enterprises, uses acrylic water based adhesive during the manufacture of self-adhesive tapes.
12. During the manufacture of single-sided self-adhesive tape using hot-melt adhesive, the Bopp film is threaded through the rollers of the coater once the hot-melt adhesive is at the desired temperature and the coater is ready to start coating. The Bopp film first goes through a coating station, so that the tape can unwind when it is slit. The tape then goes through the coating head where the hot-melt adhesive is applied, after which it is immediately cooled down and rewound into a jumbo roll on the other side of the coater in lengths of 6000m.

13. The Jumbo roll is then taken to the slitting department where it is slit down to the various sizes i.e. 48mm x50m and 48mm x100m for carton sealing and even down to 12mm x33m, which is then sold as stationery tape.
14. The two types of self-adhesive tapes can be described as follows:
  - **Single sided tape**- single sided tapes are those self-adhesive tapes where adhesive is applied (“coated”) on one side of the substrate.
  - **Double sided tape**- double sided tapes are those products where adhesive is applied on both sides of the substrate. With double-sided tapes there is a third component, which is the liner. In double-sided tapes, the outer is the “free” side of the tape, whilst the adhesive side, which appears after removing the liner, is identified as the inner side.
15. Apart from using self-adhesive tapes to package various products, the subject product can also be used as a security sealing tape, tamper proof or as packaging branding of the company.
16. Hot-melt self-adhesive tape has the ability to adhere to dirty, dusty and soiled substrates or plastics. It has greater shear to allow for better use on rigid corrugated boxes and the release coat used on hot melt allows for the tape to dispense with a consistent release through the entire tape length. On the other hand, water based self-adhesive tape is used in a wider temperature range. Acrylic water based self-adhesive tape is also resistant to yellowing from a UV light source and has a longer life span, whilst retaining its initial performance.
17. Buffalo Tapes (Pty) Ltd is also a local manufacturer that currently manufactures self-adhesive tapes, albeit from imported coated Bopp film. The imported coated Bopp film in rolls is slit into various sizes according to customers’ requirements.
18. The following companies were identified as importers and/or suppliers of the product in question:
  - DÁfrique International (Pty) Ltd;
  - Wilec Technical Solution Provider;



- DN Agencies;
- Super-Stick Packaging; and
- TechnoTape Printers CC

19. The applicant's capacity utilisation for 2016 was 51%, leaving available capacity that could be used to service the domestic market.
20. The applicant's estimated market share has remained constant at 34% for the three year period.
21. The applicant's sales volume declined over the three year period of investigation, while imports, particularly in respect of tariff subheading 3919.10.43, remained relatively stable over the same period. Imports in respect of the above tariff subheading, accounted for approximately 60% of total imports of all three tariff subheadings in question.
22. The Commission established that over 80% of imports under the three tariff subheadings concerned originated in East Asia.
23. The local industry has made significant investments in the manufacture of the subject product.

### **COMPETITIVE POSITION**

24. According to information at the Commission's disposal, the domestic manufacturing industry is experiencing price disadvantages vis-à-vis foreign manufacturers of the subject product in respect of both acrylic water based and hot-melt self-adhesive tape, when the domestic ex-factory price of the subject product is compared to the landed cost of similar imported products.

### **COMMENTS RECEIVED**

25. Comments objecting to the application were received from importers of the subject products. Objections, in the main, centred on the cost-raising effect of the duty. It was further stated that the applicant is uncompetitive against similar imported products

because imported acrylic water based self-adhesive tape, generally, has a price advantage over hot melt self-adhesive tape that is manufactured locally.

26. The application was supported by Hon Shin Enterprise (Pty) Ltd.; Plastics SA; Safripol (Pty) Ltd; TechnoTape Printers CC; Super-Stick Packaging and the Ministry of Investment, Trade and Industry of the Republic of Botswana.

## **FINDINGS**

27. The Commission found that:

- The industry manufacturing the subject product is in a position to meet the full market requirements for the range of self-adhesive tapes as described in the tariff structure;
- Significant price disadvantages are experienced vis-à-vis foreign manufacturers exporting the product to SACU;
- The domestic industry is unable to compete with imported products, given the existing duty structure. This adversely affects domestic investment and employment opportunities;
- Levels of production, sales, profitability and capacity utilisation have declined; and
- The withdrawal of the rebate provision on Bopp film for the manufacture of self-adhesive tape to support domestic production of Bopp film, had a cost-raising effect for the downstream industry.

28. On balance, the recommended duty structure and increase to 20% *ad valorem* would enable the domestic industry manufacturing self-adhesive tapes to fully utilise existing under-utilised production capacity thereby achieving cost advantages arising from increased output due to operational efficiencies.

29. The Commission also found that as a result of the recent withdrawal of the rebate provision on plates, sheets, film, foil and strip, of polymers of propylene, biaxially oriented, for the manufacture of self-adhesive tape of subheading 3919.10, the applicant is now sourcing its input requirement of Bopp films domestically, from SRF.

## **RECOMMENDATION**

30. In light of the foregoing, the Commission recommended an increase in the rate of duty on biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides), of a width not exceeding 200mm classifiable in tariff subheadings 3919.10.43 and 3919.10.41 from 10% *ad valorem* and free of duty, respectively, to 20% *ad valorem* by amending the scope of tariff subheading 3919.10.43 to the following: “Of biaxially oriented polymers of propylene (excluding that which is self-adhesive on both sides) and amend the description of tariff subheading 3919.10.47 to the following: “Other biaxially oriented polymers of propylene, self-adhesive on both sides” at free of duty.