

**REPORT NO. 571**

**REVIEW OF THE RATE OF CUSTOMS DUTY ON  
STRANDED WIRE, ROPES AND CABLES**

The International Trade Administration Commission herewith presents its Report No. 571: **REVIEW OF THE RATE OF CUSTOMS DUTY ON STRANDED WIRE, ROPES AND CABLES**, with recommendations.

  
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**DUMISANI MBAMBO**  
**DEPUTY CHIEF COMMISSIONER**

**PRETORIA**  
**..12..|..03..|..2018**

**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**REPORT NO. 571**

**REVIEW OF THE RATE OF CUSTOMS DUTY ON STRANDED WIRE, ROPES  
AND CABLES**

**Synopsis**

On 22 July 2016, ITAC initiated a review of the customs duty on a number of downstream steel industry products as a result of significant number of SACU downstream steel industry role players who expressed concerns regarding the lack of tariff protection against imports of finished products that often come at unsustainably low prices. The review included stranded wire, ropes and cables classifiable under tariff heading 73.12.

Subsequent to the publication of the review in the Government Gazette, Scaw Metals (Pty) Ltd (Scaw) submitted information to the Commission motivating for an increase in the rate of customs duty on:

- Stranded wire, ropes and cables classifiable under tariff subheadings 7312.10.20, 7312.10.25 and 7312.10.40 from 5% *ad valorem* to 15% *ad valorem* and;
- Ropes and cables classifiable under tariff subheadings 7312.10.90 and 7312.90 from free of duty to 15% *ad valorem*.

The Commission considered all the relevant information at its disposal. In particular, the Commission took the following factors into account:

- There has been a material increase in low-priced import volumes of the subject products, in particular imports originating from China. These low-priced imports have resulted in price disadvantages for domestic producers;
- The domestic industry's market share has declined and its capacity utilisation has fallen significantly below its potential;
- Escalating cost structures combined with low profit margins;
- Diminishing employment and investment opportunities; and
- Reciprocal commitments pertaining to the retention of employment, increase in investment and re-starting the manufacture of products that were previously manufactured locally.

The Commission concluded that the tariff support should enable the industry manufacturing stranded wire, ropes and cables to utilise its existing under-utilised production capacity, thereby achieving cost-advantages arising from increased output due to operational efficiencies. This would assist the domestic industry in creating new investment and employment opportunities.

The Commission found that the domestic industry manufactures a vast majority of products classifiable under the relevant tariff subheadings and has the capacity to manufacture products which are currently not manufactured locally. The Commission concluded that the creation of rebate provisions and additional 8 digit tariff subheadings under tariff heading 73.12 should enable the exclusion of products not currently manufactured by the domestic industry.

In light of the foregoing, the Commission recommended that the tariff structure for stranded wire ropes and cables be amended as follows:

**Table 1: Proposed tariff structure**

Tariff heading	Tariff Subheading	Description	Statistical Unit	Rate of Duty				
				General	EU	EFTA	SADC	MERCOSUR
<b>Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated:</b>								
	7312.10	<b>Stranded wire, ropes and cables:</b>						
<b>STRANDED WIRE PRODUCTS</b>								
Current Structure	7312.10.10	Stranded wire, of wire which is plated, coated or clad with copper-zinc base alloys (brasses)	Kg	Free	Free	Free	Free	Free
Current Structure	7312.10.15	Stranded wire, of wire which is plated, coated or clad with tin	Kg	Free	Free	Free	Free	Free
New	7312.10.17	Stranded wire, of a diameter of 4,8 mm or more (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
Current Structure	7312.10.20	Other stranded wire	Kg	5%	Free	Free	Free	5%
<b>STEEL WIRE ROPES AND CABLES</b>								
New	7312.10.23	Ropes and cables, of wire which is not plated coated or clad, of a diameter not exceeding 13 mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	5%	Free	Free	Free	5%
New	7312.10.24	Ropes and cables, of wire which is not plated coated or clad, of a diameter exceeding 13mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
New	7312.10.25	Other ropes and cables, of wire which is not plated, coated or clad	Kg	5%	Free	Free	Free	5%
New	7312.10.27	Ropes and cables, of wire which is plated, coated or clad with zinc, of a diameter not exceeding 13mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	5%	Free	Free	Free	5%
New	7312.10.30	Ropes and cables, of wire which is plated, coated or clad with zinc, of a diameter exceeding 13mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
New	7312.10.40	Other ropes and cables, of wire which is plated, coated or clad with zinc	Kg	5%	Free	Free	Free	5%
Current Structure	7312.10.90	Other	Kg	15%	Free	Free	Free	15%
	7312.90	<b>Other:</b>						
New	7312.90.10	Slings and the like of rope with a diameter not exceeding 4mm (excluding that of wire plated coated or clad with copper and that identifiable as conveyor belt cord)	Kg	Free	Free	Free	Free	Free
New	7312.90.20	Slings and the like of rope with a diameter exceeding 4mm (excluding that of wire plated coated or clad with copper and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
Current Structure	7312.90.90	Other	Kg	15%	Free	Free	Free	15%

- The creation of a temporary rebate provision for products currently not manufactured domestically, as follows:
  - *“Stranded wire, ropes and cables of iron or steel, not electrically insulated, classifiable in tariff heading 7312.10 at such times, in such quantities, 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*
  - *“Plaited bands, slings and the like, of iron or steel, not electrically insulated, classifiable in tariff heading 7312.90 at such times, in such quantities, 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”.*
- The duty structure on stranded wire, ropes and cables to be reviewed after a period of three years from the date of implementation.

## **BACKGROUND AND TARIFF POSITION**

1. On 22 July 2016, ITAC initiated a review of the customs duty on a number of downstream steel industry products as a result of a significant number of SACU downstream steel industry role players expressing concerns regarding the lack of tariff protection against imports of finished products that often come at unsustainably low prices. The review included stranded wire, ropes and cables classifiable under tariff subheadings 7312.10.20; 7312.10.25; 7312.10.40; 7312.10.90 and 7312.90.
2. Subsequent to the publication of the review in the Government Gazette, Scaw Metals (Pty) Ltd (Scaw) submitted information to the Commission motivating for an increase in the rate of customs duty on:
  - Stranded wire, ropes and cables classifiable under tariff subheadings 7312.10.20, 7312.10.25 and 7312.10.40 from 5% *ad valorem* to 15% *ad valorem* and;
  - Ropes and cables classifiable under tariff subheadings 7312.10.90 and 7312.90 from free of duty to 15% *ad valorem*.

3. As motivation for the increase in the rate of customs duty the applicant cited, *inter alia*, the following:

- The global steel crisis is severely impacting the entire steel value chain. This is affecting the ability of the SACU market to preserve jobs and invest further;
- Trade protective measures taken by various countries increase the propensity to export to SACU at lower prices;
- The low-priced imports coupled with increasing import volumes of the subject products since 2012 pose a risk to the viability of the SACU industry;
- The 10% *ad valorem* imposed on primary steel products has put an upward pressure on the production cost base of local downstream manufacturers;
- During the past three years, Scaw suffered decreased sales volumes, under-utilized production capacity, reduction in market shares, decreasing employment, negative or low profit margins as well as increasing production costs; and
- An increase in the rate of customs duties to the bound rate on the subject products would significantly improve Scaw's price-competitiveness against low-priced imports from India, the People's Republic of China and other Asian countries.

4. The Notice was published in the Government Gazette on 22 July 2016 as follows:

**"Review of the general rate of customs duty on various downstream steel products:**

Steel products classifiable under tariff headings; 72.17, 73.07, 73.08, 73.12, 73.18, 73.21, 83.02, 84.18, 84.26, 84.50, 84.51, 85.04, 86.01, 86.07, 86.09 and 94.06".

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

**Table 2: Current tariff structure**

Tariff heading	Tariff Subheading	Description	Statistical Unit	Rate of Duty				
				General	EU	EFTA	SADC	MERCOSUR
73.12		<b>Stranded wire, ropes, cables, plated bands, slings and the like, of iron or steel, not electrically insulated:</b>						
7312.10		<b>Stranded wire, ropes and cables:</b>						
<b>STRANDED WIRE PRODUCTS</b>								
	7312.10.20	Other stranded wire	Kg	5%	Free	Free	Free	5%
<b>STEEL WIRE ROPES AND CABLES</b>								
	7312.10.25	Ropes and cables, of wire which is not plated, coated or clad	Kg	5%	Free	Free	Free	5%
	7312.10.40	Ropes and cables, of wire which is plated, coated or clad with zinc	Kg	5%	Free	Free	Free	5%
	7312.10.90	Other	Kg	Free	Free	Free	Free	Free
	7312.90	Other	Kg	Free	Free	Free	Free	Free

6. The South African Revenue Service (SARS) provided the following tariff structure introducing additional 8-digit tariff lines and descriptions for rebate provisions in order to cater for products currently not manufactured by the domestic industry:

**Table 3: Requested tariff structure**

Tariff Subheading	Description	Statistical Unit	Rate of Duty				
			General	EU	EFTA	SADC	MERCOSUR
<b>Stranded wire, ropes, cables, plated bands, slings and the like, of iron or steel, not electrically insulated:</b>							
7312.10	<b>Stranded wire, ropes and cables:</b>						
<b>STRANDED WIRE PRODUCTS</b>							
7312.10.10	Stranded wire, of wire which is plated, coated or clad with copper- zinc base alloys (brasses)	Kg	Free	Free	Free	Free	Free
7312.10.15	Stranded wire, of wire which is plated, coated or clad with tin	Kg	Free	Free	Free	Free	Free
7312.10.17	Stranded wire, of a diameter of 4,8 mm or more (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
7312.10.20	Other stranded wire	Kg	5%	Free	Free	Free	5%
<b>STEEL WIRE ROPES AND CABLES</b>							
7312.10.23	Ropes and cables, of wire which is not plated coated or clad, of a diameter not exceeding 13 mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	5%	Free	Free	Free	5%
7312.10.24	Ropes and cables, of wire which is not plated coated or clad, of a diameter exceeding 13mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
7312.10.25	Other ropes and cables, of wire which is not plated, coated or clad	Kg	5%	Free	Free	Free	5%
7312.10.27	Ropes and cables, of wire which is plated, coated or clad with zinc, of a diameter not exceeding 13mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	5%	Free	Free	Free	5%



7312.10.30	Ropes and cables, of wire which is plated, coated or clad with zinc, of a diameter exceeding 13mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
7312.10.40	Other ropes and cables, of wire which is plated, coated or clad with zinc	Kg	5%	Free	Free	Free	5%
7312.10.90	Other	Kg	15%	Free	Free	Free	15%
7312.90	Other:						
7312.90.10	Slings and the like of rope with a diameter not exceeding 4mm (excluding that of wire plated coated or clad with copper and that identifiable as conveyor belt cord)	Kg	Free	Free	Free	Free	Free
7312.90.20	Slings and the like of rope with a diameter exceeding 4mm (excluding that of wire plated coated or clad with copper and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
7312.90.90	Other	Kg	15%	Free	Free	Free	15%

7. The proposed rebate provision descriptions are as follows:

- *"Stranded wire, ropes and cables of iron or steel, not electrically insulated, classifiable in tariff heading 7312.10 at such times, in such quantities, 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*
- *"Plaited bands, slings and the like, of iron or steel, not electrically insulated, classifiable in tariff heading 7312.90 at such times, in such quantities 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".*

8. The WTO bound rate for the tariff subheadings under investigation is 15% *ad valorem*.

## **INDUSTRY AND MARKET**

### **Stranded Wire**

9. Stranded wire consists of a number of individual wires that are bundled and compressed together and typically insulated with plastic.

10. The domestic industry manufactures products ranging from 4.8mm to 22mm in diameter, which include pre-stressed concrete steel strand (PC strand), stay wire and aluminium conductor steel-reinforced cable (ACSR). The products are currently classifiable under tariff subheading 7312.10.20.

11. The main primary input used to manufacture the subject products is steel wire rod. Other input materials include plastics and various chemicals which are sourced both domestically and internationally.

12. The production process of stranded wire includes the following:

- The wire rod is supplied in diameters ranging from 5.50mm to 14.00mm and carbon content ranging from 0.63 to 0.84%;
- The wire rod is cleaned in a sulphuric acid solution, rinsed and coated with zinc phosphate and borax. This cleaning process removes all traces of rust;
- The wire rod is distorted into a thinner wire through a wire drawing process, where the wire passes through successive dies without heating. The rod is reduced by 80% - 90% in diameter, increasing its tensile strength; and
- The wire is coiled onto bobbins and then loaded onto a stranding machine. The stranding machine wraps six wires around a core wire (a wire which is slightly larger in diameter). This process is called stranding and the resulting product is a strand.

13. Stranded wire is used mainly in the construction, electrification, mining and agricultural sectors.

14. The known manufacturers of the subject products in the SACU region include Aberdare Cables (Pty) Ltd, Cape Gate (Pty) Ltd, Ndlovu Wire (Pty) Ltd, and Scaw Metals (Pty) Ltd.

15. The identified importers of the subject products include Anchor Industries (Pty) Ltd, Lift Quip (Pty) Ltd, Aveng Limited (Pty) Ltd, Group Five Ltd, Tata Steel Processors (Pty) Ltd, and WireCo World Group.

16. SARS's official trade statistics reveal that imports of the subject products increased by 42% in 2016. China's share of imports increased significantly during the period of investigation.

17. The rising levels of low-priced imports have negatively affected the profitability of the domestic industry.

### **Ropes and cables**

18. Ropes and cables consist of a number of stranded wires that are bundled and compressed together, typically around a core of fibre or steel. The industry manufactures constructions in excess of 13mm in diameter. The subject products are currently classifiable under tariff subheadings 7312.10.25, 7312.10.40, 7312.10.90 and 7312.90.

19. The main input material used in the manufacture of the subject products is steel wire rod. Other input materials include plastics, fibre and various chemicals, which are used to enhance the strength and flexibility of the products.

20. The production process of the subject products includes the following steps:

- The wire rod undergoes a heating process called patenting where it is heated and quenched in molten lead to improve the strength and mechanical properties of the rod;
- It is then cleaned in a solution of hydrochloric acid to remove traces of rust;
- The wire may undergo a galvanizing process, where a zinc layer is applied to the surface of the rod to protect it against corrosion. The rod is then drawn through a wire drawing process, where the wire passes through successive dies without heating. This decreases the diameter of the wire to desired specifications;

- Wires are wrapped around a core, which can be made from natural fibres or wires to form a strand. Multiple strands are wrapped around another core, on a closing machine;
- Lastly, the rope is lubricated and wound onto either a wooden or steel drum for delivery to the customers.

21. Steel wire ropes and cables are mainly used in mining, construction, general purpose and engineering applications.

22. Scaw Metals (Pty) Ltd and Ndlovu Wire (Pty) Ltd are the only known manufacturers of the subject products in the SACU region.

23. The identified importers of the subject products include Tata Africa Steel Processors (Pty) Ltd, G Twaddle & H Engelbrecht (Pty) Ltd, Lift Quip (Pty) Ltd, Shutterlok (Pty) Ltd, NNR Trading (Pty) Ltd, Burncrete (Pty) Ltd, Engineering Supplies (Pty) Ltd, Elephant Lifting (Pty) Ltd, and Rope Construction (Pty) Ltd.

24. The domestic industry currently manufactures a vast majority of products classifiable under the relevant tariff subheadings. These are wire ropes and cables of a diameter exceeding 13mm. However, there are constructions which are currently not manufactured locally which are mainly applicable to the general purpose and engineering industry.

25. The domestic industry has the capacity to manufacture certain wire ropes and cables which are currently not manufactured locally. Furthermore, Scaw Metals (Pty) Ltd committed to increasing investment in the manufacture of additional constructions of ropes and cables mainly applicable to general purpose and engineering industries.

26. SARS's official trade statistics reveal that imports of the subject products increased by 7% over the three-year period under review. In particular, imports originating from China increased significantly during the three-year period.

27. The rising levels of low-priced imports have negatively affected the profitability of the domestic industry and have resulted in a loss of market share.
28. The domestic industry's production and sales volumes of steel wire ropes and cables declined over the three-year period, adversely affecting the domestic industry investment and employment.

### **COMPETITIVE POSITION**

29. According to the information at the Commission's disposal, the domestic industry manufacturing stranded wire, ropes and cables is faced with significant price disadvantages vis-à-vis low-priced imports from East-Asian countries.

### **COMMENTS**

30. Comments objecting to the application were received from Tata Africa Steel Processors (Pty) Ltd, WireCo World Group, Anchor Industries (Pty) Ltd, Condra (Pty) Ltd; and XA International Trade Advisors on behalf of G. Twaddle & H Engelbrecht (Pty) Ltd, Lift Quip (Pty) Ltd, Shutterlok (Pty) Ltd, NNR Trading (Pty) Ltd, Burncrete (Pty) Ltd, Engineering Supplies (Pty) Ltd, Elephant Lifting (Pty) Ltd, and Rope Construction (Pty) Ltd.
31. The objections centred on (i) the negative impact of duty on certain rope constructions which are currently not manufactured locally, (ii) lack of investment by Scaw Metals (Pty) Ltd, (iii) the fact that Scaw Metals (Pty) Ltd is also an importer of the subject products, and (iv) circumvention of duty by unscrupulous importers.
32. Subsequently, ITAC held engagements with the applicant and importers in order to identify the scope of products not manufactured domestically. It was highlighted that the domestic industry currently manufactures ropes and cables in excess of 13mm in diameter.

33. Accordingly, products below a diameter of 13mm have been excluded from an increase in customs duty through the creation of additional 8-digit tariff subheadings under tariff heading 73.12. Additionally, rebate provisions have been recommended for products that are not manufactured domestically that fall within tariff subheadings subject to a duty increase.
34. With regard to concerns pertaining to circumvention of customs duty on residual tariff subheadings, the Commission found that import volumes under tariff subheadings 7312.10.90 and 7312.90 increased by 122% and 52% respectively during the period of investigation. Thus, tariff subheadings 7312.10.90 and 7312.90 should be included in the proposed tariff amendment as they may render the proposed tariff support ineffective should they remain free of duty.

### **FINDINGS**

35. The Commission considered all the relevant information at its disposal. In particular, the Commission took the following factors into account:
- There has been a material increase in low-priced import volumes of the subject products, in particular imports originating from China. These low-priced imports have resulted in price disadvantages for domestic producers;
  - The domestic industry's market share has declined and its capacity utilisation has fallen significantly below its potential;
  - Escalating cost structures combined with low profit margins;
  - Diminishing employment and investment opportunities; and
  - Reciprocal commitments pertaining to the retention of employment, increase in investment and re-starting the manufacture of products that were previously manufactured locally.

36. The Commission concluded that the tariff support should enable the industry manufacturing stranded wire, ropes and cables to utilise its existing under-utilised production capacity, thereby achieving cost-advantages arising from increased output due to operational efficiencies. This would assist the domestic industry in creating new investment and employment opportunities.

37. The Commission found that the domestic industry manufactures a vast majority of products classifiable under the relevant tariff subheadings and has the capacity to manufacture products which are currently not manufactured locally. The Commission concluded that the creation of rebate provisions and additional 8 digit tariff subheadings under tariff heading 73.12 should enable the exclusion of products not currently manufactured by the domestic industry.

## **RECOMMENDATION**

38. In light of the foregoing, the Commission recommended that the tariff structure for stranded wire ropes and cables be amended as follows:

Tariff Subheading	Description	Statistical Unit	Rate of Duty				
			General	EU	EFTA	SADC	MERCOSUR
<b>Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated:</b>							
7312.10	Stranded wire, ropes and cables:						
<b>STRANDED WIRE PRODUCTS</b>							
7312.10.10	Stranded wire, of wire which is plated, coated or clad with copper- zinc base alloys (brasses)	Kg	Free	Free	Free	Free	Free
7312.10.15	Stranded wire, of wire which is plated, coated or clad with tin	Kg	Free	Free	Free	Free	Free
7312.10.17	Stranded wire, of a diameter of 4,8 mm or more (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
7312.10.20	Other stranded wire	Kg	5%	Free	Free	Free	5%
<b>STEEL WIRE ROPES AND CABLES</b>							
7312.10.23	Ropes and cables, of wire which is not plated coated or clad, of a diameter not exceeding 13 mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	5%	Free	Free	Free	5%
7312.10.24	Ropes and cables, of wire which is not plated coated or clad, of a diameter exceeding 13mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%

7312.10.25	Other ropes and cables, of wire which is not plated, coated or clad	Kg	5%	Free	Free	Free	5%
7312.10.27	Ropes and cables, of wire which is plated, coated or clad with zinc, of a diameter not exceeding 13mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	5%	Free	Free	Free	5%
7312.10.30	Ropes and cables, of wire which is plated, coated or clad with zinc, of a diameter exceeding 13mm (excluding that of wire of stainless steel and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
7312.10.40	Other ropes and cables, of wire which is plated, coated or clad with zinc	Kg	5%	Free	Free	Free	5%
7312.10.90	Other	Kg	15%	Free	Free	Free	15%
7312.90	Other:						
7312.90.10	Slings and the like of rope with a diameter not exceeding 4mm (excluding that of wire plated coated or clad with copper and that identifiable as conveyor belt cord)	Kg	Free	Free	Free	Free	Free
7312.90.20	Slings and the like of rope with a diameter exceeding 4mm (excluding that of wire plated coated or clad with copper and that identifiable as conveyor belt cord)	Kg	15%	Free	Free	Free	15%
7312.90.90	Other	Kg	15%	Free	Free	Free	15%

- Creation of rebate provisions for the importation of steel wire ropes and cables not manufactured locally, as follows:
  - *“Stranded wire, ropes and cables of iron or steel, not electrically insulated, classifiable in tariff heading 7312.10 at such times, in such quantities, 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
  - *“Plaited bands, slings and the like, of iron or steel, not electrically insulated, classifiable in tariff heading 7312.90 at such times, in such quantities, 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”.*
- The duty structure on stranded wire, ropes and cables classifiable under tariff subheadings to be reviewed after a period of three years from the date of implementation.