

REPORT NO. 577

**CREATION OF A TEMPORARY REBATE FACILITY FOR THE IMPORTATION OF
CERTAIN STRUCTURAL STEEL IN THE FORM OF I AND H SECTIONS
CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7216.32 AND 7216.33**

The International Trade Administration Commission herewith presents its Report No. 577: **CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF CERTAIN STRUCTURAL STEEL IN THE FORM OF H AND I SECTIONS CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7216.32 AND 7216.33**, with recommendations.


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CHIEF COMMISSIONER

PRETORIA
19/06/2018
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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 577

**CREATION OF A TEMPORARY REBATE FACILITY FOR THE IMPORTATION OF
CERTAIN STRUCTURAL STEEL IN THE FORM OF I AND H SECTIONS
CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7216.32 AND 7216.33**

Synopsis

ITAC initiated an investigation for the creation of a temporary rebate provision on ordinary customs duty for the importation of certain structural steel of iron or non-alloy steel, classifiable under tariff subheadings 7216.32 and 7216.33. The subject products are I and H sections of iron or non-alloy not further worked than hot-rolled, hot-drawn or extruded, of a height of 530 mm or more and of a height and width of 300 mm x 300 mm or more, respectively.

The Commission considered the application in light of the information at its disposal. The Commission found that the subject products are not manufactured locally and as such, the creation of a rebate provision will contribute to the reduction of production cost and improve the competitive position of the downstream industry.

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

In light of the foregoing, the Commission recommended the creation of a temporary rebate provision for the importation of certain structural steel in the form of I and H sections of iron or non-alloy steel classifiable under tariff subheadings 7216.32 and 7216.33, respectively, as outlined in paragraph 23 of this report.

BACKGROUND AND TARIFF POSITION

1. ITAC initiated an investigation for the creation of a temporary rebate provision on ordinary customs duty for the importation of certain structural steel of iron or non-alloy steel, classifiable under tariff subheadings 7216.32 and 7216.33. The specific products are as follows:
 - I sections of iron or non-alloy steel not further worked than hot-rolled, hot-drawn or extruded, of a height of 530 mm or more, classifiable under tariff subheading 7216.32; and
 - H sections of iron or non-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 7216.33.
2. In 2015, ITAC received an application from Evraz Highveld Steel and Vanadium Limited (EVRAZ) for an increase in the rate of customs duty on structural steel, classifiable under tariff subheadings 7216.31, 7216.32, 7216.33, and 7216.50, from free of duty to 10% *ad valorem*.
3. The Commission concluded that tariff support should enable the industry manufacturing structural steel to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production.
4. However, during the course of the investigation, the applicant was placed under business rescue and it temporarily ceased manufacturing operations. The Commission found that imposing customs duty on structural steel while EVRAZ had temporarily ceased its manufacturing operations would have an unnecessary cost-raising effect for the downstream industry.
5. It was in light of the above that the Commission in its Report No. 509 recommended that the implementation of the proposed customs duty on

structural steel, classifiable under tariff subheadings 7216.31, 7216.32, 7216.33, and 7216.50, should be deferred until such time that the applicant resumes manufacturing of the subject products in SACU.

6. In April 2017, EVRAZ resumed rolling its traditional structural steel product range through a Contract Manufacturing Agreement (CMA) with ArcelorMittal South Africa Limited (AMSA). Consequently, ITAC's Report No. 509, which was previously deferred, was implemented on 04 August 2017. The customs duty on structural steel classifiable under tariff subheadings 7216.31, 7216.32, 7216.33 and 7216.50 was effectively increased from free of duty to 10% *ad valorem*.
7. In July 2017, EVRAZ submitted that the structural steel of iron or non-alloy and alloy steel in the 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 300 mm or more, classifiable under tariff subheadings 7216.32 and 7216.33 is not manufactured locally.
8. It is in this regard that, ITAC initiated an investigation into the creation of a temporary rebate facility for the importation of the respective structural steel. The following reasons served as motivation for the initiation of the relevant investigation:
 - There are no local manufacturers of the subject products in the SACU region; and
 - The current duty has an unnecessary cost-raising effect for the downstream industry.

9. The existing ordinary customs duty 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
72.16	Angles, shapes and sections of iron or non-alloy steel:							
	7216.32	I Sections	kg	10%	Free	Free	Free	10%
	7216.33	H Sections	kg	10%	Free	Free	Free	10%

10. As shown in the table above, the subject products attract a general customs duty of 10% *ad valorem* duty. The WTO bound rate is 10% *ad valorem*.

11. The investigation was published in the Government Gazette on 22 September 2017 for comments by interested parties, as follows:

CREATION OF A REBATE PROVISION FOR THE IMPORTATION OF I AND H SECTIONS, OF IRON OR NON-ALLOY STEEL, NOT FURTHER WORKED THAN HOT-ROLLED, HOT-DRAWN OR EXTRUDED OF A HEIGHT OF 530 MM OR MORE AND OF A HEIGHT AND WIDTH OF 300 MM X 300 MM OR MORE CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7216.32 AND 7216.33:

Rebate Item	Tariff Heading	Rebate code	Description	Extent of Rebate
460	7216.32	-	I sections of iron or non-alloy steel not further worked than hot-rolled, hot-drawn or extruded, of a height of 530 mm or more, classifiable in tariff subheading 7216.32, 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	Full duty
460	7216.33	-	H sections of iron or non-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 in tariff subheading 7216.33, 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.	Full duty

INDUSTRY AND MARKET

12. The subject products are angles, shapes and sections of iron or non-alloy steel in the form of I and H sections. They are not further worked than hot-rolled, hot-drawn or extruded products. The main inputs used in the manufacture of the subject products are billets and blooms, which are made from virgin iron ore or steel scrap.
13. The subject products are primarily used as inputs into the engineering, fabrication and construction industries.
14. EVRAZ had through a Contract Manufacturing Agreement (CMA) with ArcelorMittal South Africa Limited, resumed rolling its traditional structural steel product range in April 2017. However, the subject products are not manufactured locally.
15. The companies identified as the major importers of the subject products include Aveng Trident Steel - a division of Aveng Africa (Pty) Ltd, Macsteel Service Centre SA (Pty) Ltd, Robor Tube and Pipes (Pty) Ltd, and Steel Bank Merchants (Pty) Ltd.

COMPETITIVE POSITION

16. The creation of a rebate provision will contribute to the reduction in the cost of production and improve the competitive position of the downstream industry. This will also enable the downstream industry to compete against similar imported finished products.

COMMENTS RECEIVED

17. EVRAZ supported the creation of a temporary rebate facility on structural steel of iron or non-alloy steel in the 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 300 mm or more, classifiable under tariff subheadings 7216.32 and 7216.33, respectively.

18. The proposed rebate provision will be subject to a permit issued by ITAC in terms of specific guidelines, rules and conditions. The relevant guidelines have been formulated to ensure that the domestic industry is consulted before the permit is issued.

FINDINGS

19. The Commission found that the structural steel of iron or non-alloy steel in the 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 subheadings 7216.32 and 7216.33, respectively, is not manufactured locally.

20. The current customs duty on the subject products has an unnecessary cost-raising effect for the downstream industry.

21. 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.

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

RECOMMENDATION

23. In light of the foregoing, the Commission recommended the creation of a temporary rebate provision for the importation of certain structural steel in the form of I and H sections of iron or non-alloy steel classifiable under tariff subheadings 7216.32 and 7216.33, respectively, as follows:

- *I sections of iron or non-alloy steel not further worked than hot-rolled, hot-drawn or extruded, of a height of 530 mm or more, classifiable in tariff subheading 7216.32, 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*

- *H sections of iron or non-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 in tariff subheading 7216.33, 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.*