

**REPORT NO. 580**

**CREATION OF A TEMPORARY REBATE FACILITY ON ORDINARY  
CUSTOMS AND SAFEGUARD DUTIES FOR THE IMPORTATION OF  
CERTAIN HOT-ROLLED COILS CLASSIFIABLE UNDER TARIFF  
SUBHEADINGS 7208.25 AND 7208.26**

The International Trade Administration Commission herewith presents its **Report No. 580: CREATION OF A TEMPORARY REBATE FACILITY ON ORDINARY CUSTOMS AND SAFEGUARD DUTIES FOR THE IMPORTATION OF CERTAIN HOT-ROLLED COILS CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7208.25 AND 7208.26**, with recommendations.



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

**PRETORIA**

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**REPUBLIC OF SOUTH AFRICA**

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH  
AFRICA**

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AND SAFEGUARD DUTIES FOR THE IMPORTATION OF CERTAIN HOT-  
ROLLED COILS CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7208.25 AND  
7208.26**

**Synopsls**

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 ordinary customs and safeguard duties for the importation of certain hot-rolled coils classifiable under tariff subheadings 7208.25 and 7208.26.

The subject hot-rolled coils are those of a thickness of 4,75 mm or more and a width exceeding 1 925mm classifiable under tariff subheading 7208.25; and of a thickness of 3 mm or more but less than 4,75 mm and a width exceeding 1 925mm, classifiable in tariff subheading 7208.26.

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

The Commission noted that the application was lodged prior to the implementation of the safeguard duty of 12% on the subject products. The Commission recommended that the scope of the rebate facility be extended to incorporate the safeguard duty as it has been confirmed that the subject products are not manufactured locally.

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 facility on ordinary customs and safeguard duties for the importation of certain hot-rolled coils classifiable under tariff subheadings 7208.25 and 7208.26, as outlined in Paragraph 22 of this report.

## **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 (Aveng), applied for a creation of a temporary rebate facility on ordinary customs duty applicable to certain hot-rolled coils, classifiable under tariff subheadings 7208.25 and 7208.26.
2. The hot-rolled coils are those of a thickness of 4,75 mm or more and a width exceeding 1 925mm classifiable under tariff subheading 7208.25; and of a thickness of 3 mm or more but less than 4,75 mm and a width exceeding 1 925mm, classifiable in tariff subheading 7208.26. Upon importation, the subject products undergo a series of value adding processes according to specifications set by the domestic downstream industry.
3. The applicant's main operations are centrally situated in Roodekop and Germiston with branches in Alrode, Rosslyn, Durban, Port Elizabeth and Cape Town.
4. As motivation for the application, the applicant cited the following:
  - There are no manufacturers of the subject products in the SACU region;
  - In ITAC Report 524, it was resolved that the steel industry and/or its sub-sectors should work with ITAC in identifying policy space for tariff support for downstream steel industry. This included the creation of additional rebate

facilities where the raw material used or imported is not manufactured in SACU; and

- The levying of customs duty has an unnecessary cost-raising effect for downstream users as the subject products are not manufactured locally.

5. 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
72.08.2		Other, in coils, not further worked than hot-rolled, pickled:						
	7208.25	Of a thickness of 4.75 mm or more	kg	10%	Free	Free	Free	10%
	7208.26	Of a thickness of 3 mm or more but less than 4.75 mm	kg	10%	Free	Free	Free	10%

Source: SARS 2017

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

7. The Commission noted that the application was lodged prior to the implementation of the safeguard duty of 12% on the subject products. The Commission recommended that the scope of the rebate facility be extended to incorporate the safeguard duty as it has been confirmed that the subject products are not manufactured locally. The applicant and interested parties were engaged in this regard.

8. The existing safeguard duty structure for the subject products is as follows:

**Table 2: 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	<b>BASE METALS AND ARTICLES OF BASE METAL</b>						
260.03	<b>IRON AND STEEL</b>						
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, 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 (excluding 460.15/7208.5/01.05; 460.15/7208.5/03.05; 460.15/7208.5/02.05)	All countries	12%

9. The subject products currently attract a 12% safeguard duty. The safeguard duty will be liberalised to 10% and 8% on 11 August 2018 and 11 August 2019, respectively.

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

**Creation of a temporary rebate provision on ordinary customs duty applicable to the following hot-rolled coils:**

- *"Flat-rolled products of iron or non-alloy steel, in coils, not further worked than hot-rolled, pickled, of a thickness of 4,75 mm or more and a width exceeding 1 925mm, classifiable in tariff subheading 7208.25, 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 iron or non-alloy steel, in coils, not further worked than hot-rolled, pickled of a thickness of 3mm or more but less than 4,75mm and a width exceeding 1 925mm, classifiable in tariff subheading 7208.26, 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**

11. The subject products are flat-rolled products of iron or non-alloy steel of a thickness of 4,75 mm or more and a width exceeding 1 925mm; and of a thickness of 3 mm or more but less than 4,75 mm and a width exceeding 1 925mm.

12. There are no local manufacturers of the subject products in the SACU region. EVRAZ Highveld Steel Vanadium (Pty) Ltd (EVRAZ) ceased the production of the subject products in 2015. ArcelorMittal South Africa Limited (AMSA) manufactures only hot-rolled coil up to a width of 1 925mm.

13. In April 2017, EVRAZ resumed rolling its traditional steel product range through a Contract Manufacturing Agreement (CMA) with ArcelorMittal South Africa Limited (AMSA). However, the subject products do not form part of the product range which is currently manufactured locally by EVRAZ.

14. The subject products are mainly used in the automotive industry to manufacture various automotive components such as vehicle bonnets, panels and doors. Other uses of the subject products include the manufacturing of containers, mining equipment, bore steel pipes, railway rolling stock and water tanks amongst others.

15. The domestic industry is characterised by a number of merchants which include amongst others Aveng Trident Steel, Allied Steelrode (Pty) Ltd and Macsteel Service Centre SA (Pty) Ltd. The merchants import the subject products in bulk and embark on various value-adding activities according to the specifications set by the domestic downstream industry. These include on-site pressing, cutting to size and trimming.

## **COMPETITIVE POSITION**

16. The creation of a rebate provision will contribute to the reduction of 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. AMSA supported the creation of a rebate facility for the subject products as they are not manufactured locally. AMSA also suggested that engagements should be facilitated with the downstream industry to explore the feasibility of converting the specifications of the subject products to hot-rolled coils of a width less than 1 925mm in order to support local manufacturing.

18. EVRAZ cited that although it ceased manufacturing the subject products locally, it has the necessary production facilities and it is currently exploring opportunities to restart production of the subject products in the future.

19. 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**

20. The Commission found that the subject products are not manufactured domestically. As such, the applicable ordinary customs and safeguard duties have an unnecessary cost-raising effect on downstream manufacturers.

21. The duty relief through the creation of a rebate provision will contribute to the reduction of the cost of production and improve the competitive position of the domestic 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 on ordinary customs and safeguard duties applicable to certain hot-rolled coils classifiable under tariff subheadings 7208.25 and 7208.26, as follows:

- *“Flat-rolled products of iron or non-alloy steel, in coils, not further worked than hot-rolled, pickled, of a thickness of 4,75 mm or more and a width exceeding 1 925mm, classifiable in tariff subheading 7208.25, 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 iron or non-alloy steel, in coils, not further worked than hot-rolled, pickled, of a thickness of 3mm or more but less than 4,75mm and a width exceeding 1 925mm, classifiable in tariff subheading 7208.26, 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 ”.*