

**REPORT NO. 586**

**CREATION OF A REBATE PROVISION ON ORDINARY CUSTOMS AND  
SAFEGUARD DUTIES APPLICABLE ON PRIMARY FLAT ROLLED STEEL  
CLASSIFIABLE UNDER TARIFF SUBHEADING 7208.51**

The International Trade Administration Commission herewith presents its **Report No. 586: CREATION OF A REBATE PROVISION ON ORDINARY CUSTOMS AND SAFEGUARD DUTIES APPLICABLE ON PRIMARY FLAT ROLLED STEEL CLASSIFIABLE UNDER TARIFF SUBHEADING 7208.51**, 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**

**REPORT NO. 586**

**THE CREATION OF A REBATE PROVISION ON ORDINARY CUSTOMS AND  
SAFEGUARD DUTIES APPLICABLE ON PRIMARY FLAT ROLLED STEEL  
CLASSIFIABLE UNDER TARIFF SUBHEADING 7208.51**

**Synopsis**

On 20 October 2017, the International Trade Administration Commission (ITAC or Commission) initiated an investigation into the creation of rebate provisions on ordinary customs and safeguard duties applicable to certain primary steel products not manufactured locally, classifiable under Chapter 72.

Following the initiation of the investigation by the Commission, SCS Impex Trading CC - trading as Special Steel, submitted information motivating for the creation of a temporary rebate provision on ordinary and safeguard duties applicable to certain hot-rolled plates, classifiable under tariff subheading 7208.51. The subject products are used in the manufacture of safety critical and load bearing components such as, hydraulic cylinders, conveyor belt idler rollers and bases, and belt drive pulleys.

The Commission considered all the relevant information at its disposal. The Commission found that the subject products are not manufactured locally. As such, the applicable ordinary customs and safeguard duties have an unnecessary cost-raising effect.

The duty relief, through the creation of a rebate provision, will contribute to a reduction in production costs and improve the competitive position of the domestic industry manufacturing various safety critical and load bearing components.

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 on ordinary customs and safeguard duties applicable to certain hot-rolled steel plate, classifiable under tariff heading 7208.51, as outlined in paragraph 24 of the report.

## **THE APPLICATION AND TARIFF POSITION**

1. On 20 October 2017, the Commission initiated an investigation into the creation of rebate provisions on ordinary customs and safeguard duties applicable to certain primary steel products not manufactured locally, classifiable under Chapter 72.
2. Following the initiation of the investigation by the Commission, SCS Impex Trading CC - trading as Special Steel, submitted information motivating for the creation of a temporary rebate provision on ordinary and safeguard duties applicable to certain hot-rolled plates, classifiable under tariff subheading 7208.51.
3. The subject products are hot-rolled steel plates and can be divided into the following two product categories:
  - Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness exceeding 100 mm.
  - Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness exceeding 60 mm or more but not exceeding 100 mm, which are ultrasonically tested and certified.
4. SCS Impex uses the subject products as input materials for the manufacture of safety critical and load bearing components such as, hydraulic cylinders, conveyor belt idler rollers and bases, and belt drive pulley.
5. The company's manufacturing plant is located in Gauteng (Wadeville).
6. As motivation for the creation of a temporary rebate provision on ordinary and safeguard duties applicable to certain hot-rolled steel plates, the applicant stated that the subject products are currently not manufactured in the Southern African Customs Union (SACU) region.
7. The existing ordinary customs duty structure for the subject products is as follows:

**Table 1: Ordinary customs duty structure for the subject products**

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
72.08		Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated:						
	7208.5	- Other, not in coils, not further worked than hot-rolled						
	7208.51	- Of a thickness exceeding 10 mm	kg	10%	Free	Free	Free	10%

8. The general rate of ordinary customs duty applicable to the subject products is 10% *ad valorem*. The WTO bound rate is 10% *ad valorem*.

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

**Table 2: Safeguard duty structure for the subject products**

Item	Tariff Heading	Code	CD	Description	Rebate Items	Imported from or Originating In	Rate of Safeguard
280.00	BASE METALS AND ARTICLES OF BASE METAL						
280.03	IRON AND STEEL						
Item	Tariff Heading	Code	CD	Description	Rebate Items	Imported from or Originating In	Rate of Safeguard
280.00	BASE METALS AND ARTICLES OF BASE METAL						
280.03	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 480.15/7208.5/01.05; 480.15/7208.5/02.05; 480.15/7208.5/03.05)	All countries	12%

10. The subject products attract a 12% safeguard duty. The safeguard duty will be liberalised to 10% and 8% and free of duty on 11 August 2018; 11 August 2019 and 11 August 2020, respectively.

11. The application was published in the Government Gazette on 20 October 2017 for comments by interested parties, as follows:

**“Creation of temporary rebate provisions on ordinary customs and safeguard duties applicable on primary flat steel not manufactured locally, classifiable under chapter 72”**

12. SCS Impex submitted the description for the rebate provision as provided by the South Africa Revenue Service (SARS), as follows:

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness exceeding 100 mm, classifiable in tariff subheading 7208.51, 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 of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness exceeding 60 mm or more but not exceeding 100 mm, classifiable in tariff subheading 7208.51, 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**

13. SCS Impex uses the subject products as input materials for the manufacture of safety critical and load bearing components such as, hydraulic cylinders, conveyor belt idler rollers and bases, and belt drive pulley.

14. The imported subject products have distinct metallurgical properties which are required to ensure technical compliance in the manufacturing process of safety critical and load bearing components.

15. There are no known manufacturers of the subject products in the SACU region.

16. With regard to the safety critical and load bearing components, apart from the applicant, the other manufacturers in the SACU region include, amongst others: Anderson and Kerr Engineering (Pty) Ltd ; Lobrand (Pty) Ltd; and Sisonke Hydraulics and Engineering (Pty) Ltd.

17. These safety critical and load bearing components are supplied to original equipment manufacturers (OEMs) in the SACU region. The OEMs, include, amongst others:

- Atlas Copco South Africa (Pty) Ltd;
- Barloworld Equipment (Pty) Ltd;

- Hitachi Construction Machinery Africa (Pty) Ltd;
- Komatsu Africa Holdings (Pty) Ltd;
- Liebherr-Africa (Pty) Ltd; and
- Sandvik Group (Pty) Ltd.

18. The final products are used in different sectors such as mining, construction and energy.

### **COMPETITIVE POSITION**

19. The creation of a rebate provision will contribute to a reduction in production costs and improve the competitive position of the domestic industry manufacturing various safety critical and load bearing components.

### **COMMENTS RECEIVED**

20. ArcelorMittal South Africa Limited ("**AMSA**") supported the creation of a rebate provision stating that the subject products are not manufactured locally. Furthermore, AMSA indicated that hot-rolled steel plates of thickness of 60mm or more, but not exceeding 100mm should conform to steel specification EN10160 and relevant Ultrasonic Testing and Certification.

### **FINDINGS**

21. The Commission found that the subject products are not manufactured locally. As such, the applicable ordinary customs and safeguard duties have an unnecessary cost-raising effect.

22. The duty relief, through the creation of a rebate provision, will contribute to a reduction in production costs and improve the competitive position of the domestic industry manufacturing various safety critical and load bearing components.

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

## **RECOMMENDATION**

24. 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 plates, classifiable under tariff subheading 7208.51, as follows:

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness exceeding 100 mm, classifiable in tariff subheading 7208.51, 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 of 600 mm or more, not in coils, not further worked than hot-rolled, of a thickness exceeding 60 mm or more but not exceeding 100 mm, classifiable in tariff subheading 7208.51, 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.*