

REPORT NO. 597

**CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF
ALUMINUM BARS, RODS AND PROFILES CLASSIFIABLE UNDER
TARIFF SUBHEADINGS 7604.29.15 AND 7604.29.65 USED IN THE
MANUFACTURE OF STABILISATION FINS**

The International Trade Administration Commission herewith presents its Report No.597: CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF ALUMINUM BARS, RODS AND PROFILES CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7604.29.15 AND 7604.29.65 USED IN THE MANUFACTURE OF STABILISATION FINS, with recommendations.


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CHIEF COMMISSIONER

PRETORIA
25/03/2019
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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 597

CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF ALUMINUM BARS, RODS AND PROFILES CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7604.29.15 AND 7604.29.65 USED IN THE MANUFACTURE OF STABILISATION FINS

Synopsis

Lektratek (Pty) Ltd applied for creation of a rebate facility for the importation of aluminium bars, rods and profiles classifiable under tariff subheadings, 7604.29.15 and 7604.29.65 used in the manufacture of stabilisation fins.

The Commission considered the application in the light of the information at its disposal. The Commission found that there is currently no domestic manufacturer of the subject products. As such, the applicable ordinary customs duties have an unnecessary cost-raising effect.

The duty relief on the subject product will contribute to a reduction in the production costs leading to an improved competitive position of the domestic industry manufacturing stabilisation fins.

The rebate provision will be made subject to a permit issued by ITAC 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 duty applicable to aluminium bars, rods and profiles classifiable under tariff subheadings 7604.29.15 and 7604.29.65 used in the manufacture of stabilisation fins, as outlined in paragraph 15 of this report.

THE APPLICATION AND TARIFF POSITION

1. Lektratek (Pty) Ltd applied for the creation of a rebate facility for the importation of aluminium bars, rods and profiles classifiable under tariff subheadings 7604.29.15 and 7604.29.65 used in the manufacture of stabilisation fins. The subject products are as follows:

- *Bars and rods, of aluminium-copper-magnesium-zinc alloys, of a maximum cross-sectional dimension of 25 mm or more but not exceeding 52 mm and of a length not exceeding 3221 mm, having a copper content of 1.2 per cent or more but not exceeding 2 per cent by weight, a magnesium content of 2.1 per cent or more but not exceeding 2.9 per cent by weight and a zinc content of 5.1 per cent but not exceeding 6.1 per cent by mass, with a yield strength of 460 MPa or more but not exceeding 480 MPa, classifiable in tariff subheading 7604.29.15; and*
- *Profiles of aluminium-copper-magnesium-zinc alloys, of a maximum cross-sectional dimension of 60 mm or more but not exceeding 85 mm, having a copper content of 1.2 per cent or more but not exceeding 2 per cent by weight, a magnesium content of 2.1 per cent or more but not exceeding 2.9 per cent by weight and a zinc content of 5.1 per cent but not exceeding 6.1 per cent by mass, with a yield strength of 460 MPa or more but not exceeding 480 MPa, classifiable in tariff subheading 7604.29.65.*

2. Lektratek is a specialised engineering company which manufactures precision mechanical components. The company's operations are based in the North West Province at Potch-Industria.

3. As motivation for the application, the applicant cited amongst others the following reasons:

- There are currently no known manufacturers of the subject products or substitutes in the SACU region;
- The applicable customs duties have an unnecessarily cost raising effect on the production cost of stabilisation fins; and
- The creation of a rebate provision will contribute to the reduction in the cost of production and improvement of the global competitive position of the domestic industry manufacturing stabilisation fins and mortar bombs.

4. The existing ordinary customs duty structure for the subject products is as follows:

Table 1: Current tariff structure for the subject products

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
76.04		Aluminium bars, rods and profiles:						
	7604.29	Other:						
	7604.29.15	Bars and rods, of a maximum cross-sectional dimension exceeding 7,5 mm but not exceeding 160 mm	kg	15%	free	free	free	7.5%
	7604.29.65	Profiles, of a maximum cross-sectional dimension not exceeding 370 mm	kg	15%	free	free	free	15%

5. As shown in the table above, the subject products attract a general customs duty of 15% *ad valorem* duty. The WTO bound rate is 15% *ad valorem*.

6. The application was published in the Government Gazette on 14 December 2018 for comments by interested parties, as follows:

Creation of a rebate facility on ordinary customs duty applicable to aluminum bars, rods and profiles classifiable under tariff subheadings 7604.29.15 and 7604.29.65 used in the manufacture of stabilization fins for mortar bombs:

"Bars and rods, of aluminium-copper-magnesium-zinc alloys, of a maximum cross-sectional dimension of 25 mm or more but not exceeding 52 mm and of a length not exceeding 3221 mm, having a copper content of 1.2 per cent or more but not exceeding 2 per cent by weight, a magnesium content of 2.1 per cent or more but not exceeding 2.9 per cent by weight and a zinc content of 5.1 per cent but not exceeding 6.1 per cent by mass, with a yield strength of 460 MPa or more but not exceeding 480 MPa, classifiable in tariff subheading 7604.29.15, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the bars and rods are not available in the SACU market; and

"Profiles of aluminium-copper-magnesium-zinc alloys, of a maximum cross-sectional dimension of 60 mm or more but not exceeding 85 mm, having a copper content of 1.2 per cent or more but not exceeding 2 per cent by weight, a magnesium content of 2.1 per cent or more but not exceeding 2.9 per cent by weight and a zinc content of 5.1 per cent but not exceeding 6.1 per cent by mass, with a yield strength of 460 MPa or more but not exceeding 480 MPa, classifiable in tariff subheading 7604.29.65, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the profiles are not available in the SACU market".

INDUSTRY AND MARKET

7. There are no known manufacturers of the subject products in the SACU region.
8. Lektratek is the sole manufacturer of the stabilisation fins in the SACU region. It imports the subject products mainly from Taiwan, process and use as intermediate inputs into the manufacturing of stabilisation fins. The stabilisation fins are then supplied to Rheinmetal Denel Munition (Pty) Ltd (Denel) as components to be fitted into the mortar bombs.

COMPETITIVE POSITION

9. The creation of a rebate provision will contribute to a reduction in the production costs and improve the competitive position of the domestic industry manufacturing stabilisation fins.

COMMENTS RECEIVED

10. Comments supporting the application were received from Wispeco (Pty) Ltd and Hulamin Extrusions (Pty) Ltd. Both companies indicated that they do not manufacture subject products.

FINDINGS

11. The Commission found that the subject products are currently not manufactured locally. As such, the applicable ordinary customs duties have an unnecessary cost-raising effect.
12. The creation of a rebate provision will contribute to a reduction in the production costs and improve the competitive position of the domestic industry manufacturing stabilisation fins.
13. The rebate provision will be made subject to a permit issued by ITAC in terms of guidelines, rules and conditions.

RECOMMENDATION

14. In light of the foregoing, the Commission recommends the creation of a rebate facility on ordinary customs duty applicable to aluminium bars, rods and profiles classifiable under tariff subheadings 7604.29.15 and 7604.29.65 used in the manufacture of stabilisation fins, as follows:

"Bars and rods, of aluminium-copper-magnesium-zinc alloys, of a maximum cross-sectional dimension of 25 mm or more but not exceeding 52 mm and of a length not exceeding 3221 mm, having a copper content of 1.2 per cent or more but not exceeding 2 per cent by weight, a magnesium content of 2.1 per cent or more but not exceeding 2.9 per cent by weight and a zinc content of 5.1 per cent but not exceeding 6.1 per cent by mass, with a yield strength of 460 MPa or more but not exceeding 480 MPa, classifiable in tariff subheading 7604.29.15, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the bars and rods are not available in the SACU market; and

"Profiles of aluminium-copper-magnesium-zinc alloys, of a maximum cross-sectional dimension of 60 mm or more but not exceeding 85 mm, having a copper content of 1.2 per cent or more but not exceeding 2 per cent by weight, a magnesium content of 2.1 per cent or more but not exceeding 2.9 per cent by weight and a zinc content of 5.1 per cent but not exceeding 6.1 per cent by mass, with a yield strength of 460 MPa or more but not exceeding 480 MPa, classifiable in tariff subheading 7604.29.65, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the profiles are not available in the SACU market".