

REPORT NO. 568

**REDUCTION IN THE RATE OF CUSTOMS DUTY ON DISTRIBUTORS
AND IGNITION COILS IDENTIFIABLE FOR USE SOLELY OR
PRINCIPALLY WITH MOTOR VEHICLE ENGINES, CLASSIFIABLE
UNDER TARIFF SUBHEADING 8511.30.30**

The International Trade Administration Commission of South Africa herewith presents its report No. 568: **REDUCTION IN THE RATE OF CUSTOMS DUTY ON DISTRIBUTORS AND IGNITION COILS IDENTIFIABLE FOR USE SOLELY OR PRINCIPALLY WITH MOTOR VEHICLE ENGINES, CLASSIFIABLE UNDER TARIFF SUBHEADING 8511.30.30**, with recommendations.



.....
MR MELULEKI NZIMANDE
CHIEF COMMISSIONER

PRETORIA

28 FEBRUARY 2018
.....

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 568

REDUCTION IN THE RATE OF CUSTOMS DUTY ON DISTRIBUTORS AND IGNITION COILS IDENTIFIABLE FOR USE SOLELY OR PRINCIPALLY WITH MOTOR VEHICLE ENGINES, CLASSIFIABLE UNDER TARIFF SUBHEADING 8511.30.30

Synopsis

ITAC received an application from Masterparts (Pty) Ltd for a reduction in the rate of customs duty on distributors and ignition coils identifiable for use solely or principally with motor vehicle engines, classifiable under tariff subheading 8511.30.30, from 15% to free of duty.

The Commission considered the application in light of the information at its disposal. The Commission found that there are no local manufacturers of distributors and ignition coils in the SACU region. As such, the current duty has an unnecessary cost raising effect.

The Commission recommended a reduction in the rate of customs duty on distributors and ignition coils identifiable for use solely or principally with motor vehicle engines, classifiable under tariff subheading 8511.30.30, from 15% to free of duty.

THE APPLICATION AND TARIFF POSITION

1. ITAC received an application from Masterparts (Pty) Ltd for a reduction in the rate of customs duty on distributors and ignition coils identifiable for use solely or principally with motor vehicle engines, classifiable under tariff subheading 8511.30.30, from 15% to free of duty.

2. The applicant is a Cape Town based company that specialises in importing automotive engine components, suspension parts, exhausts and transmission components amongst other products.
3. As reasons for the application, Masterparts cited that there are no local manufacturers of the subject products in the SACU region and that the current duty has an unnecessary cost raising effect.
4. The application was published in the Government Gazette of 21 July 2017 for comment by interested parties, as follows:

"Distributors and ignition coils, classifiable under tariff subheading 8511.30.30, identifiable for use solely or principally with motor vehicle engines, from 15% to free of duty".

5. The existing tariff structure for the subject products is shown in Table 1 below:

Table 1: Current tariff structure for the subject products

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
8511.30		Distributors; Ignition coils:						
	8511.30.30	Distributors and Ignition coils, identifiable for use solely or principally with motor vehicle engines	u	15%	free	15%	free	15%

Source: SARS, 2017

INDUSTRY AND MARKET

6. An ignition coil (also called a spark coil) is an induction coil in a motor vehicle's ignition system that transforms the battery's low voltage to thousands of volts needed to create an electric spark in the spark plugs to ignite the fuel. Some coils have an internal resistor, while others rely on a resistor wire or an external resistor to limit the current flowing into the coil from the car's 12-volt supply. The

wire that goes from the ignition coil to the distributor and the high voltage wires that go from the distributor to each of the spark plugs are called spark plug wires or high tension leads.

7. Originally, every ignition coil system required mechanical contact breaker points and a capacitor (condenser). More recent electronic ignition systems use a power transistor to provide pulses to the ignition coil. A modern passenger motor vehicle may use one ignition coil for each engine cylinder, eliminating fault-prone spark plug cables and a distributor to route the high voltage pulses. Ignition systems are not required for diesel engines which rely on compression to ignite the fuel/air mixture.

8. An ignition coil is depicted in figure 1 below.

Figure 1: Ignition coil



Source: *The applicant, 2016*

9. A distributor is an enclosed rotating shaft used in spark-ignition internal combustion engines that have mechanically-timed ignition. The distributor's main function is to route secondary or high voltage current from the ignition coil to the spark plugs in the correct firing order, and for the correct amount of time. Except

in magneto systems, the distributor also houses a mechanical or inductive breaker switch to open and close the ignition coil's primary circuit.

10. There are no manufacturers of the subject products in the SACU region.
11. Some of the major importers of the subject products in the SACU market include Torres Automotive (Pty) Ltd; Global Parts (Pty) Ltd; and the applicant.
12. In 2016, the products imported under tariff subheading 8511.30.30 originated mainly from the People's Republic of China, Germany and India, while South Africa's major export destinations for the subject products included Mozambique, Namibia and Lesotho.

COMMENTS RECEIVED

13. Comments supporting the application were received from the Botswana Ministry of Investment, Trade and Industry.
14. The National Association of Automotive Components and Allied Manufacturers (NAACAM) objected to the application citing that the subject products are typically aftermarket in nature and provide an easier potential market entry point for new industrial entrants, including possible black industrialists looking to kick start nascent assembly plants locally.
15. The comments from NAACAM were considered by the Commission. However, it noted that localisation and industrialisation in the automotive sector is driven by the Automotive Production and Development Programme (APDP) which has its own customs duty structure for qualifying components and motor vehicles.

FINDINGS

16. The Commission considered the application in light of the information at its disposal. The Commission found that there are no local manufacturers of distributors and ignition coils in the SACU region. As such, the current duty has an unnecessary cost raising effect.

RECOMMENDATION

17. In light of the foregoing, the Commission recommended a reduction in the rate of customs duty on distributors and ignition coils identifiable for use solely or principally with motor vehicle engines, classifiable under tariff subheading 8511.30.30, from 15% to free of duty.