

**REPORT NO. 603**

**CREATION OF A REBATE PROVISION FOR THE IMPORTATION  
OF CERTAIN INPUT MATERIALS USED IN THE MANUFACTURE  
OF OPTICAL FIBRE CABLES AND OPTICAL GROUND WIRE  
CABLES**

The International Trade Administration Commission herewith presents its Report No. 603: **CREATION OF A REBATE PROVISION FOR THE IMPORTATION OF CERTAIN INPUT MATERIALS USED IN THE MANUFACTURE OF OPTICAL FIBRE CABLES AND OPTICAL GROUND WIRE CABLES**, with recommendations.

**MELULEKI NZIMANDE  
CHIEF COMMISSIONER**

  
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**PRETORIA**

**29/07/2019**  
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**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH**  
**AFRICA**

**REPORT NO. 603**

**CREATION OF A REBATE PROVISION FOR THE IMPORTATION OF CERTAIN  
INPUT MATERIALS USED IN THE MANUFACTURE OF OPTICAL FIBRE CABLES  
AND OPTICAL GROUND WIRE CABLES**

**Synopsis**

Malesela Taihan Electric Cable (Pty) Ltd applied for the creation of a rebate provision for the importation of certain input materials used in the manufacture of optical fibre cables and optical ground wire cables, classifiable under tariff subheadings 8544.70 and 9001.10.

The subject products are as follows: petroleum jelly, fibre reinforced plastic and glass, reinforced plastic rods, aluminium clad steel wire, optical fibres, not individually sheathed, and optical fibre cables for further processing by reinforcement of the fibre optical cable with wire.

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 applicable customs duty has an unnecessary cost-raising effect on the domestic industry manufacturing optical fibre cables and optical ground wire cables.

The duty relief, through the creation of an industrial rebate provision, will result in a reduction in production cost and improved competitive position for the domestic industry manufacturing optical fibre cable and optical ground wire cables.

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 rebate provision for the importation of certain inputs materials used in the manufacture of optical fibre cables and optical ground wire cables, as outlined in paragraph 26 of this report.

## **THE APPLICATION AND TARIFF POSITION**

1. ITAC received an application from Malesela Taihan Electric Cable (Pty) Ltd, "M-TEC", for the creation of a rebate provision for the importation of certain input materials used in the manufacture of optical fibre cables and optical ground wire cables, classifiable under tariff subheadings 8544.70 and 9001.10.
2. The subject products are as follows: petroleum jelly, fibre reinforced plastic and glass, reinforced plastic rods, aluminium clad steel wire, optical fibres, not individually sheathed, and optical fibre cables for further processing by reinforcement of the fibre optical cable with wire.
3. As motivation for the application, the applicant, amongst others, stated the following:
  - M-TEC manufactures various power cables, fibre optic cables and optical ground wire cables. These are supplied to parastatals, municipalities, power and communication entities in South Africa;
  - The company has lost contracts due to price disadvantages against optical fibre cables imported from the European Union (EU) which do not attract any ordinary customs duty;
  - The company's competitive position is negatively affected by the customs duty of 10%-15% incurred on the input materials used in the manufacture of optical fibre cables and optical ground wire; and
  - Should the application for the creation of a rebate provision not be successful, M-TEC will have no other option but to discontinue operations in the fibre optics division.

4. The existing tariff structure of the input products is as follows:

**Table 1: Tariff position for the subject products (Input materials)- Petroleum Jelly**

Tariff heading	Tariff subheading	Description	Statistical units	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
27.12		<b>Petroleum jelly; paraffin wax; microcrystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured:</b>						
	2712.10	<b>Petroleum jelly:</b>						
	2712.10.20	In immediate packings of a content exceeding 5 kg	Kg	12.5%	Free	Free	Free	12.5%

**Table 2: Tariff position for the subject products (Input materials)- Fibre Reinforced Plastic and Glass Reinforced Plastic Rod**

Tariff heading	Tariff subheading	Description	Statistical units	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
39.16		<b>Monofilament of which any cross-sectional dimension exceeds 1 mm, rods, sticks and profile shapes, whether or not surface-worked but not otherwise worked, of plastics:</b>						
	3916.90	<b>Of other plastics:</b>						
	3916.90.90	Other	Kg	15%	Free	Free	Free	15%

**Table 3: Tariff position for the subject products (Input materials)- Aluminium clad steel wire**

Tariff heading	Tariff subheading	Description	Statistical units	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
72.17		<b>Wire of iron or non-alloy steel:</b>						
	7217.10	Not plated or coated, whether or not polished	Kg	10%	Free	Free	Free	10%
	7217.20	Plated or coated with zinc	Kg	10%	Free	Free	Free	10%
	7217.30	Plated or coated with other base metals	Kg	10%	Free	Free	Free	10%

**Table 4: Tariff position for the subject products (Input materials)- Optical fibre cable**

Tariff heading	Tariff subheading	Description	Statistical units	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
85.44		<b>Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors:</b>						
	8544.70	Optical fibre cables	Kg	15%	Free	Free	Free	15%

**Table 5: Tariff position for the subject products (Input materials)- Optical fibre**

Tariff heading	Tariff subheading	Description	Statistical units	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
90.01		<b>Optical fibres and optical fibre bundles; optical fibre cables (excluding those of heading 85.44); sheets and plates of polarising material; lenses (including contact lenses), prisms, mirrors and other optical elements, of any material, unmounted (excluding such elements of glass not optically worked):</b>						
	9001.10	Optical fibres, optical fibre bundles and cables	Kg	15%	Free	Free	Free	15%

Source: SARS, (2019)

5. The subject products currently attract ordinary customs duties ranging between 10% and 15% *ad valorem*.

6. The ordinary rate of customs duty applicable to the final products, optical fibre cables and optical ground wire cables classifiable under tariff subheadings 8544.70 and 9001.10, respectively, is the WTO bound rate of 15% *ad valorem*.

7. For administrative purposes, the South African Revenue Service (SARS) provided the descriptions for requested rebate provisions as follows:

- *Optical fibres, not individually sheathed, classifiable in tariff subheading 9001.10, for use in the manufacture of optical fibre cables classifiable in tariff subheading 8544.70, 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;*
- *Petroleum jelly, in immediate packings of a content exceeding 5kg, classifiable in tariff subheading 2712.10.20, for the manufacture of optical fibre cables, classifiable in tariff subheading 8544.70, 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;*
- *Other, monofilament of which any cross-sectional dimension exceeds 1 mm, rods, sticks and profile shapes, whether or not surface-worked but not otherwise worked, of other plastics, classifiable in tariff subheading 3916.90.90, for the manufacture of optical fibre cables, classifiable in tariff subheading 8544.70, 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;*
- *Wire of non-alloy steel, clad with aluminium, classifiable in tariff heading 72.17, for use in the further processing of optical fibre cable classifiable in tariff subheading 8544.70, by reinforcing the optical fibre cable with one or more layer of stranded wire, 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*
- *Optical fibre cable, classifiable in tariff subheading 8544.70, for further processing by reinforcing the fibre optical cable with one or more layer of wire, 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.*

8. The application was published in the Government Gazette on 22 February 2019 for interested parties to comment.

## **INDUSTRY AND MARKET**

9. The subject products are as follows: petroleum jelly, fibre reinforced plastic and glass, reinforced plastic rods, aluminium clad steel wire, optical fibres, not individually sheathed, and optical fibre cables for further processing by reinforcement of the fibre optical cable with wire.

10. The applicant is a Vereeniging (Gauteng) based manufacturer of cables used in the power generation and telecommunications industry. These include power cables, copper cables, aluminium cables, optical fibre cables, and optical ground wire which are used in the telecommunications and power generation industry.

11. The manufacture of optical fibre cables begins with the insertion of optical fibres in a stainless steel tube that is filled with a thixotropic gel or in coloured masterbatch. This process is performed on extrusion lines. The strands are then stranded incorporating a Glass Reinforced Polymer (GRP) rod as a central component for improving tensile strength. Open spaces can be filled with petroleum jelly to protect against water penetration in the final cable. The stranded assembly is then sheathed (covered with a layer of polyethylene or other polymer material) on an extrusion line. Test and measurement of cable parameters are conducted at various stages of production and prior to despatch.

12. To manufacture optical ground wire cables, aluminium clad steel wire is drawn to size on a wire-drawing machine. The drawn wire and optical fibre cable are then stranded on a stranding machine to produce optical ground wire cable. Test and measurement of cable parameters are conducted at various stages of production and prior to despatch. The final product is drummed and despatched.

13. Figures 1 and 2 below depict the final products, optical fibre cables and optical ground wire.

**Figure 1: Optical Fibre Cable**



**Figure 2: Optical Ground Wire**



14. With regards to the optical fibre cable, apart from the applicant there are other manufactures in the SACU region, that include, CBI Telecoms Cables (Pty) Ltd, Dartcom SA (Pty) Ltd, and Yangtze Optics Africa Cables (Pty) Ltd.

15. The applicant is the sole manufacturer of optical ground wire cables in the SACU region.

16. The known importers of optical fibre cables and optical ground wire cables include, amongst others, the following:

- Altron TMT SA Group (Pty) Ltd;
- Cbi-Electric Telecom Cables (Pty) Ltd;
- Eskom Holdings SOC Limited;
- Huawei Technologies (Pty) Ltd;
- Nokia Solutions and Networks SA (Pty) Ltd; and
- Telkom SA SOC Ltd.

17. The known consumers of the final products within the SACU region include, amongst others, Telkom SA SOC Ltd, MTN Group Limited, Cell C Limited, Liquid Telecom Group, Transnet SOC Limited, Eskom Holdings SOC Limited and municipalities in South Africa.

### **COMPETITIVE POSITION**

18. The rebate provision will contribute to the reduction in the cost of production and improvement in the competitive position of the domestic industry manufacturing optical fibre cables and optical ground wire cables.

19. The domestic manufacturing industry's biggest drivers of production costs are raw material costs and labour costs. The creation of a rebate provision will further reduce the cost of materials, enabling the company to be sustainable.



## **COMMENTS RECEIVED**

20. Yangtze Optics Africa Cable (Pty) Ltd ("YOAC") and CBI Electric Telecom Cables (Pty) Ltd ("CBI"), domestic manufacturers of optical fibre cables, submitted comments objecting to the creation of a rebate provision for importation of optical fibre cables used in the manufacture of optical ground wire cables.
21. The main reasons cited for the objections included, but were not limited to, the possibility of abuse of rebate provision by unscrupulous importers and enforcement challenges at the port of entry.
22. The proposed rebate provision is a Schedule 3 industrial rebate which is only available for use to domestic manufacturers who add value by processing the input materials. As such, it is unlikely that the rebate provision would be open to abuse. Furthermore, the rebate provision will be made subject to a permit issued by ITAC in terms of guidelines, rules, and conditions.

## **FINDINGS**

23. The Commission found that the subject products are not manufactured locally. As such, the applicable customs duty has an unnecessary cost-raising effect on the domestic industry manufacturing optical fibre cables and optical ground wire cables.
24. The duty relief, through the creation of an industrial rebate provision, will result in a reduction in production cost and improved competitive position for the domestic industry manufacturing optical fibre cables and optical ground wire cables.
25. The rebate provision will be made subject to an ITAC permit issued in terms of guidelines, rules and conditions.

## **RECOMMENDATION**

26. In light of the foregoing, the Commission recommended the creation of an rebate provision for the importation of certain input materials used in the manufacture of optical fibre cables and optical ground wire cables, as follows:

- *Optical fibres, not individually sheathed, classifiable in tariff subheading 9001.10, for use in the manufacture of optical fibre cables classifiable in tariff subheading 8544.70, 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;*
- *Petroleum jelly, in immediate packings of a content exceeding 5kg, classifiable in tariff subheading 2712.10.20, for the manufacture of optical fibre cables, classifiable in tariff subheading 8544.70, 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;*
- *Other, monofilament of which any cross-sectional dimension exceeds 1 mm, rods, sticks and profile shapes, whether or not surface-worked but not otherwise worked, of other plastics, classifiable in tariff subheading 3916.90.90, for the manufacture of optical fibre cables, classifiable in tariff subheading 8544.70, 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;*
- *Wire of non-alloy steel, clad with aluminium, classifiable in tariff heading 72.17, for use in the further processing of optical fibre cable classifiable in tariff subheading 8544.70, by reinforcing the optical fibre cable with one or more layer of stranded wire, 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*
- *Optical fibre cable, classifiable in tariff subheading 8544.70, for further processing by reinforcing the fibre optical cable with one or more layer of wire, 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.*