

REPORT NO. 651

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY
ON CERTAIN TINPLATE CANS, PAILS AND AEROSOL
CANS**

The International Trade Administration Commission herewith presents its Report
No. 651: **INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON CERTAIN
TINPLATE CANS, PAILS AND AEROSOL CANS**, with recommendations.



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MELULEKI NZIMANDE
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA
REPORT NO. 651

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON CERTAIN
TINPLATE CANS, PAILS AND AEROSOL CANS**

Synopsis

Rheem SA (Pty) Ltd ("Rheem") and SA Steelpack Solutions (Pty) Ltd, ("Steelpack") applied for an increase in the general rate of customs duty on certain tinsplate cans, pails and aerosol cans classifiable under tariff subheadings 7310.21 and 7310.29, from free of duty to the World Trade Organisation ("WTO") bound rate of 15% *ad valorem*, by way of creating additional 8-digit tariff subheadings.

The International Trade Administration Commission ("ITAC" or "Commission") considered the application in light of the information at its disposal. In particular, the Commission considered the following factors:

- In terms of industrial policy, the domestic downstream industry manufacturing the tinsplate cans, pails, and aerosol cans ("subject products") is a strategic sector with respect to its contribution in terms of value-addition in the Southern African Customs Union ("SACU") region;
- The domestic industry manufacturing the subject products is a dynamic market characterised by high competition;
- The discontinuation of production by certain manufacturers of the subject products in the local industry;
- significant decline in domestic industry's overall production and sales volumes resulting in significant levels of unutilised installed capacity overall;

- Significant investment by the domestic industry on capital equipment dedicated to the manufacture of the subject products;
- The significant price disadvantage experienced by the domestic industry manufacturing the subject products vis-à-vis imports of similar products originating from Asian countries (China); and
- Reciprocal commitments pertaining to job creation and increase in investment to enhance efficiencies.

The Commission concluded that tariff support should improve the price-competitiveness of the domestic industry in the face of foreign competition; encourage value-addition; improve the production capacity utilisation; achieve economies of scale; sustain current employment; and create new job opportunities.

The Commission considered the scope of the products covered by the investigation and found that the domestic industry has the capacity and capability to manufacture most of the products. However, it noted that there are instances where specific products are not currently manufactured. In this regard, the Commission will consider applications for creation of the relevant rebate provision.

The Commission recommended that the rate of customs duty on certain tinplate cans, pails, and aerosol cans classifiable under tariff subheadings 7310.21 and 7310.29, be increased from free of duty to the WTO bound rate of 15% *ad valorem*, by way of creating additional 8-digit tariff subheadings.

The Commission further recommends that the duty be reviewed after a period of three (3) years from the date of implementation of the increased duty, or such other period as the Commission may decide, to assess the performance of the domestic industry.

THE APPLICATION AND TARIFF POSITION

1. Rheem and Steelpack applied for an increase in the general rate of customs duty on certain tinsplate cans, pails, and aerosol cans classifiable under tariff subheading 7310.21 and 7310.29, from free of duty to the WTO bound rate of 15% *ad valorem*, by way of creating an 8-digit tariff subheading.
2. Rheem and Steelpack are manufacturers of industrial packaging such as tinsplate cans, pails, steel tins, steel drums and steel aerosol cans in the SACU region.
3. Rheem manufactures the subject products in its plant located in KwaZulu-Natal Province (Durban). The company cuts the tinsplate used in the manufacture of the subject products in its plant located in Gauteng (Alberton). Steelpack manufactures the subject products at its manufacturing plant Durban, KwaZulu Natal Province.
4. As motivation for the application, Rheem and Steelpack together, the "applicants" stated the following:
 - Local manufacturers of tinsplate cans, pails, and aerosol cans have over the recent years, lost market share due to low priced imports from the People's Republic of China ("China");
 - Low priced imports of the subject products are currently free of duty. Importers sell the subject products (cans) locally at drastically reduced prices and in turn, this has a negative impact on plant utilisation leading to higher unit costs of production, reduced profitability, and little or no return on investment.
 - Low priced imports have resulted in the downsizing of local production and job losses; and
 - Tariff support will allow the domestic industry to compete, increase market share and increase job opportunities.

5. The application was published in the Government Gazette No. 43734 under Notice No. 367 of 2020 on 25 September 2020 for interested parties to comment as follows:

Increase in the rate of the general customs duty on:

Tinplate Cans

- "Cans, of a capacity of 0.125 li but not exceeding 8 li, which are to be closed by soldering or crimping, classifiable in tariff subheading 7310.21 by the creation of a new 8-digit tariff subheading under 7310.21 for "of a capacity of 0.125 li or more but not exceeding 8 li;
- "Other cans, of capacity of 0.125 li or more but not exceeding 8 li, classifiable in tariff subheading 7310.29, by the creation of a new 8-digit tariff subheading under 7310.29 for "of a capacity of 0.125 li or more but not exceeding 8 li";

Tinplate Pails

- "Cans, of a capacity exceeding 8 li but not exceeding 25 li, which are to be closed by soldering or crimping, classifiable in tariff subheading 7310.21 by the creation of a new 8-digit tariff subheading under 7310.21 for "of a capacity exceeding 8 li but not exceeding 25 li";
- "Other cans, of a capacity exceeding 8 li but not exceeding 25 li, classifiable in tariff subheading 7310.29, by the creation of a new 8-digit tariff subheading under 7310.29 for "of a capacity exceeding 8 li but not exceeding 25 li"; and

Tinplate Aerosol cans

- "Aerosol cans, of a capacity of 0,075 li or more but not exceeding 0,5 li, classifiable in tariff subheading 7310.29, by the creation of a new 8-digit tariff subheading under 7310.29 for "aerosol cans of a capacity of 0,075 li or more but not exceeding 500 ml".

6. The existing tariff structure for the subject products is depicted 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	AFCFTA
73.10		Tanks, casks, drums, cans, boxes and similar containers, for any material (excluding compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment: Of a capacity of less than 50 l:							
7310	7310.21	Cans which are to be closed by soldering or crimping	Kg	Free	Free	Free	Free	Free	Free
	7310.29	Other	Kg	Free	Free	Free	Free	Free	Free

Source: SARS, (2021)

7. The subject products are currently imported free of duty and the WTO bound rate applicable to the subject products is 15% *ad valorem*.

8. The subject products are currently classified under tariff subheadings 7310.21 and 7310.29. The two tariff subheadings encompass other products that are not subject to this investigation. In this regard, the South African Revenue Service ("SARS") has provided 8-digit tariff subheadings for administration purposes, as shown in Table 2 below.

9. Table 2 below shows the requested tariff structure for the subject products as follows:

Table 2: Requested tariff structure for the subject products

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty					
				General	EU	EFTA	SADC	MERCOSUR	AFCFTA
73.10		Tanks, casks, drums, cans, boxes and similar containers, for any material (excluding compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment: Of a capacity of less than 50 l:							
7310	7310.21	Cans which are to be closed by soldering or crimping							
	7310.21.**	Cans, of a capacity of 0.125 l but not exceeding 8 l, which are to be closed by soldering or crimping	Kg	15%	Free	Free	Free	Free	Free
	7310.21.**	Cans, of a capacity exceeding 8 l but not exceeding 25 l, which are to be closed by soldering or crimping	Kg	15%	Free	Free	Free	Free	Free
	7310.21.**	Other	Kg	Free	Free	Free	Free	Free	Free
	7310.29	Other							
	7310.29.**	Other cans, of capacity of 0.125 l or more but not exceeding 8 l	Kg	15%	Free	Free	Free	Free	Free
	7310.29.**	Other cans, of a capacity exceeding 8 l but not exceeding 25 l	Kg	15%	Free	Free	Free	Free	Free
	7310.29.**	Aerosol cans of a capacity of 0.075 l or more but not exceeding 500 ml	Kg	15%	Free	Free	Free	Free	Free
	7310.29.**	Other	Kg	Free	Free	Free	Free	Free	Free

Source: Applicant, 2020

INDUSTRY AND MARKET

10. The products under investigation are tinplate cans, pails and aerosol cans and are depicted in Figure 1 below.

Figure 1: Tinplate Pails, Cans and Aerosol Cans



Source: Applicant, (2020)

11. In terms of application, tinplate pails and cans are mainly used for packaging of paints, solvents, glues, lubricants, resins, and grease while aerosol cans are commonly used to package cleaning products, lubricants, air fresheners, deodorants, and hair sprays.

12. The main input material used in the manufacture of the subject products is tinplate. Other input materials include swing handles, plastic grip handles, larson handle brackets, paint and sealing compound.

13. The manufacturing process of the subject products is largely semi-automated and a large workforce is required throughout the process. The manufacturing process consist of various lines including press machines, printing machines as well as assembly machines. Tinplate is decorated and cut into appropriate sheets and strips. Thereafter, the cut sheets and strips are dispatched to the press machines and the assembly line.

14. In the press machines, the tinplate strips are converted into components such as lids, rings, and bottoms. The components go through a rubber lining compound application and are then stored.

15. In the assembly line, the cut-to-size body tinsplate is welded into a cylinder after which, the components such as the rings and bottoms are attached to the cylindrical body to form the subject products. Handles are attached to the subject products, where required, before packing.
16. Quality checks and inspections are conducted before the subject products are dispatched to customers.
17. The known importers of the subject products include, GB Packaging (Pty) Ltd; Khaya International Packaging (Pty) Ltd; Innovative Closures (Pty) Ltd; AVR distributors (Pty) Ltd and Rema Tip Top SA (Pty) Ltd.
18. The known manufacturers of the subject products in the SACU region include, the following: Amopack Can Manufacturers (Pty) Ltd; Metcan Manufacturing CC; Greif South Africa (Pty) Ltd; Nampak Ltd; Steelpack; and Rheem.
19. According to information at the Commission's disposal, Fillmore Cans (Pty) Ltd, has ceased manufacturing the subject products locally.
20. As indicated earlier, SARS trade statistics on import volumes cannot be separately analysed since the data also includes imports of other products that do not form part of the investigation.

COMPETITIVE POSITION

21. The domestic industry manufacturing the subject products is faced with escalating cost structure and the main drivers of its production costs are the costs of raw materials, which have rapidly increased over the period under the investigation.
22. The domestic industry manufacturing the subject products is not price competitive against imports of similar products originating from Asian economies. During the period under investigation, the domestic industry's financial position deteriorated.

COMMENTS RECIEVED

23. Comments in support of the application were received from, South African Fruit and Vegetable Cannery Association ("SAFVCA"), Nampak Ltd ("Nampak"), Metcan Manufacturing CC, Aerosol Manufacturers Association (AMA). The following factors, amongst others, were cited: the domestic industry has been under threat due to increase in low-priced imports for years; the local industry has capacity and capability to manufacture products under investigation; significant investments in the sector; and duty support should assist the industry to retain jobs.
24. Comments objecting to the application were received from Rema Tip Top (Pty) Ltd citing that the increase in the duty will have negative impact to their business, since there are no local manufacturer specific cans as required for packaging adhesive.
25. The Commission considered the scope of the products covered by the investigation and found that the domestic industry has the capacity and capability to manufacture most of the products. However, it noted that there are instances where specific products are not currently manufactured. In this regard, the Commission will consider applications for creation of the rebate provision.

FINDINGS

26. The Commission considered all the relevant information at its disposal. In particular, the Commission considered the following factors:
- In terms of industrial policy, the domestic industry remains a strategic sector with respect to its contribution to the beneficiation of locally manufactured tins in the SACU region;
 - In terms of domestic industry, there is a number of manufacturers in the SACU region involved in the manufacture of subject products;
 - The significant decline in domestic industry's overall production and sales volumes resulting in significant levels of unutilised installed capacity overall;

- There has been recent investment on capital equipment dedicated for the manufacture of the subject products;
- The significant price disadvantage experienced by the local manufacturers of tinplate cans, pails and aerosol cans vis-à-vis imports originating from Asian countries; and
- Reciprocal commitments pertaining to job creation and increase in investment to enhance efficiencies.

27. The Commission concluded that tariff support should improve the price-competitiveness of the domestic industry in the face of foreign competition; encourage value-addition; improve the production capacity utilisation; achieve economies of scale; sustain current employment; and create new job opportunities.

28. The Commission considered the scope of the products covered by the investigation and found that the domestic industry has the capacity and capability to manufacture most of the products. However, it noted that there are instances where specific products are not currently manufactured. In this regard, the Commission will consider applications for creation of the relevant rebate provision.

RECOMMENDATION

29. In light of the foregoing, the Commission recommends that the rate of customs duty on certain tinplate cans, pails and aerosol cans classifiable under tariff subheadings 7310.21 and 7310.29 be increased from free of duty to 15% *ad valorem* by way of creating additional 8-digit tariff subheading as shown in Paragraph 9 of the report. The Commission further recommends that the duty be reviewed after a period of three (3) years from the date of implementation of the increased duty, or such other period as the Commission may decide, to assess the performance of the domestic industry.