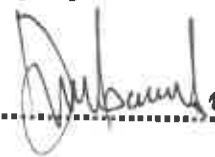


REPORT NO. 701

**CREATION OF A REBATE PROVISION FOR THE IMPORTATION
OF STEEL CORD USED IN THE MANUFACTURE OF STEEL
CONVEYOR BELTING AS REINFORCING MATERIAL**

The International Trade Administration Commission herewith presents its **Report No. 701: Creation of a rebate provision for the importation of steel cord used in the manufacture of steel conveyor belting as reinforcing material, with recommendations.**

Dumisani Mbambo
Deputy Chief Commissioner



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PRETORIA

29/11/.....2022

REPUBLIC OF SOUTH AFRICA

**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA**

REPORT NO. 701

**CREATION OF A REBATE PROVISION FOR THE IMPORTATION OF STEEL
CORD USED IN THE MANUFACTURE OF STEEL CONVEYOR BELTING AS
REINFORCING MATERIAL**

Synopsis

Dunlop Belting Products (Pty) Ltd, herein referred to as Dunlop or the applicant applied for the creation of a temporary rebate provision for the importation of steel cord classifiable under tariff subheading 7312.10.40. The subject product is used in the manufacture of steel conveyor belting as reinforcing material.

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

- There are currently no known manufacturers of steel cord of a kind used in the manufacture of steel cord reinforced conveyor belting in the SACU region;
- As such, the applicable customs duty has an unnecessary cost-raising effect on the domestic industry manufacturing steel cord-reinforced conveyor belts;
- The duty relief, through the creation of a temporary rebate provision, will result in a reduction of production costs and improve the competitive position of the domestic industry manufacturing steel conveyor belts;
- The applicant committed to increasing production and increasing the value of its investment in plant, machinery and buildings. Furthermore, the applicant committed to increasing employment in the three years following tariff support; and

- The guidelines, rules and conditions have been developed to ensure the effective and efficient administration of the rebate provision with safeguard measures to prevent the misuse and abuse as well as to avoid unintended consequences.

The Commission concluded that the creation of a temporary rebate provision will enable the domestic industry to achieve cost-savings in the manufacture of steel cord-reinforced conveyor belting. This should enhance the competitive position of the domestic industry *vis-à-vis* imports of the similar product into the SACU market. In addition, tariff support would result in the retention of existing jobs and the creation of additional jobs within the steel sector.

The Commission recommended that the temporary rebate provision for the importation of steel cord used in the manufacture of steel conveyor belting as reinforcing material be created.

The temporary rebate provision will be made available subject to a rebate permit issued at such times, in such quantities and subject to such conditions as the Commission may allow by specific permit.

THE APPLICATION AND TARIFF POSITION

1. Dunlop applied for the creation of a temporary rebate provision for the importation of steel cord used in the manufacture of steel conveyor belting as reinforcing material. The subject steel cord is classifiable under tariff subheadings 7312.10.40.
2. As motivation for the application, the applicant, amongst others, stated the following:
 - The steel cord used is not available in the SACU region as all the previous manufacturers of this product in the SACU region have closed down;
 - The existing customs duty thus serves no purpose and has an unnecessary cost raising effect to the importers of steel cord; and
 - Should the application be approved, the duty relief will assist the applicant in its growth plans, preserve existing jobs and enable the creation of additional jobs.

3. On 20 May 2022, the application was published in Government Gazette No. 46382 as Notice 1036 of 2022 for interested parties to comment, as follows:

CREATION OF A TEMPORARY REBATE FACILITY FOR THE IMPORTATION OF STRANDED WIRE, ROPES AND CABLES, CLASSIFIABLE UNDER TARIFF SUBHEADING 7312.10.40, AS FOLLOWS:

“Other ropes and cables, of wire which is plaited, coated or clad with zinc, classifiable in tariff subheading 7312.10.40, for the manufacture of conveyor belts and belting classifiable in tariff subheading 4010.1, provided the goods are not available in the SACU region”.

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

Table 1: Current tariff structure of the subject products

Tariff subheading	Description	Statistical Unit	Rate of Duty					
			General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
73.12	Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated:							
73.12.10	Stranded wire, ropes and cables:							
7312.10.40	Other ropes and cables, of wire which is plaited, coated or clad with zinc	Kg	5%	Free	Free	Free	5%	4%

Source: SARS, 2022

5. As shown in Table 1 above, the subject products currently attract a general rate of ordinary customs duty of 5% *ad valorem*, a 5% *ad valorem* customs duty when imported from the Mercosur region, and a 4% *ad valorem* customs duty when imported under the African Continental Free Trade Area (“AfCFTA”). The subject products are however imported duty free from the European Union/ United Kingdom (“EU/UK”), European Free Trade Association (“EFTA”) and Southern African Democratic Community (“SADC”) regions. The World Trade Organisation (“WTO”) bound rate for the subject product is 15% *ad valorem*.

6. For administrative purposes, the South African Revenue Service (“SARS”) provided a description for the proposed rebate provision, as outlined in Table 2 below.

Table 2: Requested rebate facility on the subject products

Rebate Item	Tariff Heading	Description	Extent of Rebate
460.15	7312.10	<i>Other ropes and cables, of wire which is plaited, coated or clad with zinc, classifiable in tariff subheading 7312.10.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of conveyor belts and belting classifiable in tariff subheading 4010.1, provided the goods are not available in the SACU market</i>	Full duty

Source: SARS, 2020

7. The subject products are used in the manufacture of steel-reinforced conveyor belts

classifiable under tariff subheading 4010.11. The tariff position of the final product is depicted in Table 3 below:

Table 3: The tariff structure of the final product

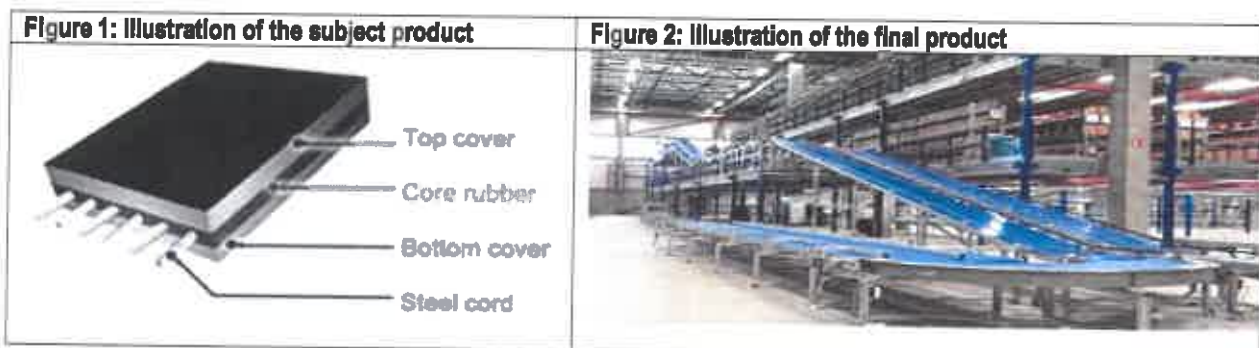
Tariff subheading	Description	Statistical Unit	Rate of Duty					
			General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
4010	Conveyor or transmission belts or belting, of vulcanised rubber							
4010.1	Conveyor belts or belting:							
4010.11	Reinforced only with metal	Kg	15%	Free	Free	Free	15%	12%

Source: SARS, 2022

8. The final product currently attracts a general rate of ordinary customs duty of 15% *ad valorem*, a 15% *ad valorem* customs duty when imported from the Mercosur region, a 12% *ad valorem* customs duty when imported under the AfCFTA and is imported free of duty when imported from the EU/UK, EFTA and SADC regions. The WTO bound rate for the final product is 20% *ad valorem*.

INDUSTRY AND MARKET

9. The products under investigation are steel cords used in the manufacture of steel cord reinforced conveyor belting. The subject product is a galvanised steel cord with a diameter ranging from 2.7 mm to 12mm. In terms of production, the subject product has to be produced dry without lubricants and it has to be coated with zinc to ensure adhesion with rubber in the manufacturing of the final products, conveyor belting.
10. The final product, steel cord-reinforced conveyor belting, is the non-mechanical part of the entire belt conveyor system and is spliced in an endless loop of belting. The final product is used in general material handling mainly in the mining, construction, energy generation and the agricultural sectors.
11. Figures 1 and 2 below depict the subject product and the final product respectively.



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

there are other manufacturers of steel cabling in the SACU region, their products are not the same as the subject product and their use is not interchangeable.

13. Scaw Metals (Pty) Ltd, a domestic manufacturer of steel ropes and cables, has the capacity to manufacture steel cord. However, Scaw Metals (Pty) Ltd indicated that its products cannot be used in the manufacturing of conveyor belting.

14. The known local manufacturers of the steel cord-reinforced conveyor belting, (the final product), include the following:

- Dunlop Belting Products (Pty) Ltd (The applicant);
- Dunlop Industrial Products (Pty) Ltd (only manufacturing for the export market);
- ContiTech Africa (Pty) Ltd;
- Fenner Conveyor Belting (SA) (Pty) Ltd; and
- Oriental Rubber Industries SA (Pty) Ltd.

15. The known importers of the final products into the domestic market include:

- Interflex;
- TRUCO;
- BMG;
- Worldwide Conveyors; and
- Belt Brokers.

COMPETITIVE POSITION

16. The rebate provision will contribute to the reduction in the cost of production and improvement in the competitive position of the domestic industry manufacturing steel conveyor belts.

17. The applicant committed to increasing production and increasing the value of investment in plant, machinery and buildings. Furthermore, the applicant committed to increasing employment in the three years following tariff support.

COMMENTS RECEIVED

18. Letters of support were received from DIP and the Industrial Development Corporation (IDC). The support was centred on the significance of the applicant in assisting the pursuit to increase localisation and that the subject products are not available locally.
19. A letter of support was received from Scaw Metals (Pty) Ltd indicating that they do not manufacture the subject product in the SACU region.
20. Scaw Metals further indicated that the creation of a temporary rebate provision, as opposed to a reduction in the general rate of customs duty, will ensure that manufacturers of other kinds of steel cables retain tariff protection on their products while enable duty-free access to steel cords not manufactured domestically.

FINDINGS

21. The Commission considered the application in light of all the relevant information the information at its disposal. In particular, the Commission took the following factors into account:
 - There are currently no known manufacturers of steel cord of a kind used in the manufacture of steel cord-reinforced conveyor belting in the SACU region;
 - As such, the applicable customs duty has an unnecessary cost-raising effect on the domestic industry manufacturing steel cord-reinforced conveyor belts;
 - The duty relief, through the creation of a temporary rebate provision, will result in a reduction of production costs and improve the competitive position of the domestic industry manufacturing steel conveyor belts;
 - The applicant committed to increasing production and increasing the value of its investment in plant, machinery and buildings. Furthermore, the applicant committed to increasing employment in the three years following tariff support; and

- The guidelines, rules and conditions have been developed to ensure the effective and efficient administration of the rebate provision with safeguard measures to prevent misuse and abuse as well as to avoid unintended consequences.

22. The Commission concluded that the creation of a temporary rebate provision will enable the domestic industry to achieve cost-savings in the manufacture steel cord-reinforced conveyor belting. This should enhance the competitive position of the domestic industry vis-à-vis imports of the similar product into the SACU market. In addition, tariff support would result in the retention of existing jobs and the creation of additional jobs within the steel sector.

23. The temporary rebate provision will be made available subject to a rebate permit issued at such times, in such quantities and subject to such conditions as the Commission may allow by specific permit.

RECOMMENDATION

24. In light of the foregoing, the Commission recommended the creation of a rebate provision for the importation of steel cord used in the manufacture of steel cord reinforced conveyor belting classifiable under tariff subheading 7312.10.40 as follows:

Other ropes and cables, of wire which is plated, coated or clad with zinc, classifiable in tariff subheading 7312.10.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit for the manufacture of conveyor belts and belting classifiable in tariff subheading 4010.1, provided the goods are not available in the SACU market.