

## **REPORT NO. 693**

**INCREASE IN THE RATE OF CUSTOMS DUTY ON SHOWER  
ENCLOSURES, INCLUDING SHOWER DOORS AND SHOWER PANELS,  
CLASSIFIABLE UNDER TARIFF HEADING 7020.00**

The International Trade Administration Commission herewith presents its **Report No. 693: APPLICATION FOR AN INCREASE IN THE RATE OF CUSTOMS DUTY ON SHOWER ENCLOSURES, INCLUDING SHOWER DOORS AND SHOWER PANELS, CLASSIFIABLE UNDER TARIFF HEADING 7020.00**, with recommendations.



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# REPUBLIC OF SOUTH AFRICA

## INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

### REPORT NO. 693

#### INCREASE IN THE RATE OF CUSTOMS DUTY ON SHOWER ENCLOSURES, INCLUDING SHOWER DOORS AND SHOWER PANELS, CLASSIFIABLE UNDER TARIFF HEADING 7020.00

##### Synopsis

Finestra Shower Doors, a division of Casso Cabinets (Pty) Ltd ("applicant" or "Finestra"), applied for an increase in the rate of customs duty on aluminium shower doors, classifiable under tariff subheadings 7610.10 and 7020.00, from 10% *ad valorem* and free of duty, respectively, to the World Trade Organisation ("WTO") bound rate of 15% *ad valorem*, by way of creating additional 8-digit tariff subheading.

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

- The subject products are watertight structures used in bathrooms to prevent water from spilling outside the shower or bathtub. The subject products are end-products and are typically sold in building stores and to property construction companies. The main inputs used in the assembly of the subject products are glass and aluminium extrusions, attracting a general rate of customs duty of 30% *ad valorem* and 15% *ad valorem*, respectively.
- There are at least seven domestic assemblers of the subject products, who are predominately small-to-medium size businesses.
- Prior to the High Court Ruling of 27 September 2021, SARS classified the subject products under tariff subheading 7610.10, which attracted a general rate of customs duty of 10% *ad valorem*. The duty provided tariff protection to

the domestic industry. However, following the High Court ruling, the subject products are now classified under tariff subheading 7020.00, which is free of duty and the WTO bound rate for the subject products is 15% *ad valorem*.

- The applicant is currently operating at significantly low capacity.
- This industry is viewed as strategic in terms of investment and employment as the assembly process of the subject products is very labour intensive.
- In terms of the investment, the applicant made significant investment in machinery for the manufacturing of shower enclosures.
- The domestic industry assembling the subject products is experiencing price disadvantages vis a vis similar imported products, resulting in the possible erosion of the market share in the SACU.
- In terms of the reciprocal commitments submitted, the applicant committed to increase capital expenditure for an additional production line used for the manufacture of products that are currently not manufactured. The applicant further committed to retain employment and not retrench any employees in the three years following tariff support. Additionally, the applicant committed to train additional learners to assist with skills development.

The Commission concluded that the tariff support should enable the industry manufacturing the shower enclosures, shower doors and shower panels to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in increased volumes with a concomitant reduction in the marginal cost of production.

The Commission recommended that the rate of customs duty on shower enclosures, shower doors and panels, classifiable under tariff subheading 7020.00, be increased from free of duty to the WTO bound rate of 15% *ad valorem*, by way of creating additional 8-digit tariff subheading for "Shower enclosures, including shower doors and shower panels as provided for in Additional Note 3 to Chapter 70".

**"Additional Note:**

3. Shower enclosures of tariff subheading 7020.00.10 are classified in this subheading whether or not framed, trimmed, fitted with hinges, door handles and the like."

The Commission further recommended that the duty be reviewed to determine its impact on the industry value chain after three years from the date of implementation, or such other period as decided by the Commission.

## **THE APPLICATION AND TARIFF POSITION**

1. Finestra Shower Doors, a division of Casso Cabinets (Pty) Ltd (“applicant” or “Finestra”), applied for an increase in the rate of customs duty on aluminium shower doors, classifiable under tariff subheadings 7610.10 and 7020.00, from 10% *ad valorem* and free of duty, respectively, to the World Trade Organisation (“WTO”) bound rate of 15% *ad valorem*, by way of creating additional 8-digit tariff subheading.
2. The applicant assembles aluminium shower doors in its factory in Edenvale, Gauteng province and mainly sources its input materials locally. Aluminium extrusions and glass are the main input materials used in the assembly of the subject products. However, it should be noted that aluminium extrusions are not used for unframed shower enclosures.
3. The subject products are watertight structures used in bathrooms to prevent water from spilling outside the shower or bathtub. The subject products are end-products and are typically sold in building stores and to property construction companies. The main inputs used in the assembly of the subject products are glass and aluminium extrusions, attracting a general rate of customs duty of 30% *ad valorem* and 15% *ad valorem* respectively.
4. As motivation for the increase in the general rate of customs duty the applicant cited, inter alia, the following:
  - The domestic industry manufacturing shower enclosures has made significant capital investment in the manufacture of the subject product;
  - The industry is labour-intensive and supports locally manufactured upstream products such as glass and aluminium extrusions;

- The main inputs in the manufacture of the subject product (i.e. glass and aluminium profiles) currently attract ordinary customs duty of 15% *ad valorem*;
  - There has been a significant increase in low-priced import volumes of shower enclosures, mainly originating from East Asian countries;
  - The increase in low-priced imports has resulted in pressure on profit margins and increases the likelihood of further job losses; and
  - An increase in the rate of customs duty will assist the industry to be competitive against imports, curb further job losses, incentivise additional investment and create employment.
5. On 18 June 2021 the Commission published the application in the Government Gazette No. 44724 under Notice 370 of 2021 for interested parties to comment, as follows:
- Increase in the general rate of customs duty on:***
- Shower doors, classified under tariff subheading 7610.10, by the creation of a separate 8-digit tariff subheading for the said goods", from 10% to 15% ad valorem; and*
- Shower doors, classified under tariff subheading 7020.00, by the creation of a separate 8-digit tariff subheading for "shower doors", from free to 15% ad valorem"*
6. Deliberations following the publication revealed that there was a court ruling on the classification of the subject product. Prior to the High Court Ruling of 27 September 2021, SARS classified the subject products under tariff subheading 7610.10, which attracted a general rate of customs duty of 10% *ad valorem*. The duty provided tariff protection to the domestic industry. However, following the High Court ruling, the subject products are now classified under tariff subheading 7020.00, which is free of duty and the WTO bound rate for the subject products is 15% *ad valorem*.
7. Subsequent to the court ruling, SARS provided the revised descriptions and on 19 November 2021 ITAC re-published the application in the Government Gazette No. 45500 under Notice No. 675 of 2021 for interested parties to comment for four weeks. However, the notice has erroneously omitted certain information in particular the current rate of customs and the requested rate of customs duty. As a result, the

correction notice was published in the Government Gazette No. 45930 under Notice No. 839 of 18 February 2022 providing two weeks for interested parties to comment as follows:

**Application for an increase in the rate of duty on:**

*"Shower enclosures, including shower doors and shower panels as provided for in Additional Note 3 to Chapter 70, of glass, by the creation of an additional 8-digit subheading for the said goods"*

**"Additional Note: 3. Shower enclosures of tariff subheading 7020.00.10 are classified in this subheading whether or not framed, trimmed, fitted with hinges, door handles and the like."**

8. Following the High Court ruling, the subject products are now classified under tariff subheading 7020.00, which is free of duty and the WTO bound rate for the subject products is 15% *ad valorem*.

9. The existing tariff structure for the subject products is depicted in Table 1 below:

**Table 1: Current tariff position for the subject products**

Heading/ Subheading	Description	Statistical Unit	General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
7020.00	Other articles of glass	Kg	Free	Free	Free	Free	Free	Free

Source: SARS, (2022)

10. The applicant requested an increase in the general rate of customs duty on the subject products from free of duty to the WTO bound rate of 15% *ad valorem*.

11. The requested tariff position is depicted in Table 2 below:

**Table 2: Requested tariff position for the subject products**

Heading/ Subheading	Description	Statistical Unit	General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
7020.00	Other articles of glass	Kg	Free	Free	Free	Free	Free	Free
7020.xx	Shower enclosures, including shower doors and shower panels	Kg	15%	Free	Free	Free	***	***

Source: SARS, (2022)

## INDUSTRY AND MARKET

12. The subject products are shower enclosures, including shower doors and shower panels, whether or not framed, trimmed, fitted with hinges, door handles and the like.

The subject products are watertight structures used in bathrooms to prevent water from spilling outside the shower or bathtub. These products are end-products which are typically sold in building stores and to property construction companies.

13. There are at least seven known domestic assemblers of the subject products and domestic assemblers are predominately small-to-medium size businesses.
14. The known main role-players involved in the assembly of shower enclosures include, amongst others; Aluglass Bautech (Pty) Ltd; Aluview (Pty) Ltd; National Glass Distribution (Pty) Ltd; Origin Aluminium (Pty) Ltd; Primador (Pty) Ltd; SA Shower Doors & Products; and Showerline Shower Doors (Pty) Ltd.
15. The known local importers of the subject product in the SACU region include, amongst others: Chamberlains; Builders Warehouse; KZN shower doors; and Makro.
16. Figures 1, 2 and 3 below illustrates the different types of the assembled subject products.

**Figure 1: Framed shower enclosures**



*Source: Finestra, (2021)*

**Figure 2: Shower screens/panels**



*Source: Showerline, (2022)*

**Figure 3: Unframed shower enclosures**



*Source: Showerline, (2022)*



17. The manufacturing process begins with the design of the subject product, thereafter the product is assembled according to the design specifications. The glass sheets and aluminium extrusions are then cut-to-size. The cut aluminium extrusions are assembled to form doorframes. Lastly the hinges and handles are fitted to the door and are assembled to the toughened glass.

## **COMPETITIVE POSITION**

18. The domestic industry manufacturing shower enclosures is not price-competitive against imports of the subject products originating from Asian.

## **COMMENTS RECEIVED**

19. Comments in support of the increase in customs duty on the subject products were received from Aluminium Federation of South Africa (AFSA); PG Group (Pty) Ltd; Origin Aluminium (Pty) Ltd; and Showerline Shower Doors (Pty) Ltd, citing amongst others, that:

- The industry manufacturing glass doors and windows are mostly small to medium enterprises and the increase in the customs duty will benefit the downstream industry and ensure the retention of decent jobs in the SACU;
- The substantial number of imported products are eroding both the downstream manufacturing of the subject products in the SACU and Building Glass sales;
- It is essential to preserve this existing capacity and to guard the downstream fabricators against exposure to cheap imports and supply distortions;
- An increased import tariff should go some way to halt job losses and assist companies in this industry to stay afloat;
- And the increase will explicitly give a price-advantage to the domestically produced shower doors and alter the competitive landscape to favour local shower door manufacturers increasing the overall sourcing of domestically produced shower doors.

20. Comments objecting to the application were received from Macneil (Pty) Ltd; Tiletoria (Pty) Ltd; Massmart (Pty) Ltd; and Italtile (Pty) Ltd citing amongst others that:

- There is no evidence that Finestra and other domestic manufacturers have sufficient capacity to meet the demand for the subject products in SACU;
- The applicant does not have the ability to manufacture entry level product lines required to service the affordable housing market;
- Should the tariff support be granted, importers will likely have to import additional volumes to meet demand, at a higher price and this will erode sales volumes as well as downstream jobs associated with installing the subject products;
- The Commission ought to have terminated the investigation when the High Court ruled that the correct tariff classification for the subject product is tariff heading 70.20. The process followed by the Commission falls short of the requirements for, amongst others, administrative action to be lawful, reasonable and procedurally fair, as embodied in the Promotion of Administrative Justice Act, 2000 (PAJA).

## FINDINGS

21. The Commission considered all the relevant information at its disposal. In particular, the Commission considered the following factors:

- The subject products are watertight structures used in bathrooms to prevent water from spilling outside the shower or bathtub. The subject products are end-products and are typically sold in building stores and to property construction companies. The main inputs used in the assembly of the subject products are glass and aluminium extrusions, attracting a general rate of customs duty of 30% *ad valorem* and 15% *ad valorem*, respectively.
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22. The Commission concluded that the tariff support should enable the industry manufacturing the shower enclosures, shower doors and shower panels to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in increased volumes with a concomitant reduction in the marginal cost of production.

## RECOMMENDATION

23. In the light of the foregoing, the Commission recommended that the rate of customs duty on shower enclosures, shower doors and panels, classifiable under tariff subheading 7020.00, be increased from free of duty to the WTO bound rate of 15% *ad valorem*, by way of creating additional 8-digit tariff subheading for "Shower enclosures, including shower doors and shower panels as provided for in Additional Note 3 to Chapter 70".

***"Additional Note:***

*3. Shower enclosures of tariff subheading 7020.00.10 are classified in this subheading whether or not framed, trimmed, fitted with hinges, door handles and the like."*

24. The Commission further recommended that the duty be reviewed to determine its impact on the industry value chain after three years from the date of implementation, or such other period as decided by the Commission.