

REPORT NO. 612

**CREATION OF A TEMPORARY REBATE PROVISION FOR THE
IMPORTATION OF CERTAIN COLD-ROLLED STEEL AND PAINTED
STEEL, CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7211.29
AND 7212.40**

The International Trade Administration Commission herewith presents its **Report No. 612: CREATION OF A TEMPORARY REBATE PROVISION FOR THE IMPORTATION OF CERTAIN COLD-ROLLED STEEL AND PAINTED STEEL, CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7211.29 AND 7212.40**, with recommendations.


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MELULEKI NZIMANDE
CHIEF COMMISSIONER

PRETORIA

03/10/2019
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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 612

CREATION OF A TEMPORARY REBATE PROVISION FOR THE IMPORTATION OF CERTAIN COLD ROLLED STEEL AND PAINTED STEEL, CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7211.29 AND 7212.40

Synopsis

Specstrip (Pty) Ltd applied for the creation of a temporary rebate provision for the importation of certain cold-rolled steel and painted steel, classifiable under tariff subheadings 7211.29 and 7212.40.

The subject products are other flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated, nor further worked than cold-rolled (cold-reduced) and flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, painted, varnished or coated with plastics.

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. The duty relief, through the creation of a rebate provision, should allow the applicant, together with the downstream manufacturing industry, to maintain, and potentially increase, profitability in both the medium and long term.

The rebate provision will be made subject to an ITAC permit issued in terms of applicable guidelines, rules and conditions.

In light of the foregoing, the Commission recommended the creation of a temporary rebate provision for the importation of certain cold-rolled steel and painted steel, classifiable under tariff subheadings 7211.29 and 7212.40, as outlined in paragraph 20 of this report.

THE APPLICATION AND TARIFF POSITION

1. Specstrip (Pty) Ltd (the applicant) applied for the creation of a temporary rebate provision on certain imported cold-rolled steel and painted steel, classifiable under tariff subheadings 7211.29 and 7212.40.
2. The subject products are flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated, nor further worked than cold-rolled (cold-reduced): other; and flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated: painted, varnished or coated with plastics.
3. These are cold-reduced, high carbon flat steel strips which are blanked, formed and then hardened and tempered to produce spring steel components, with specifications SAE 1055, SAE 1060, SAE 1075, and SAE 1085; and black painted and waxed high tensile steel strapping with specification SAE 1022.
4. The specifications for high carbon flat steel strip which is blanked, formed and then hardened and tempered is normally used to produce spring steel components. This kind of steel is also used in a wide range of applications including household appliances, accessories and motor industry parts.
5. The other product for which a rebate provision is sought by the applicant is black painted and waxed high tensile steel strapping. The finished strapping product is predominantly used for strapping during transportation.
6. The applicant is a Gauteng-based company, with its manufacturing facilities based in Benoni, Johannesburg.
7. The applicant is an importer of a number of steel products, including galvanised iron strip, tinplate, painted steel and hot-rolled pickled and oiled flat steel. It is an intermediate processor of these products and provides a wide range of value adding activities such as coil slitting to customer specifications.
8. As motivation for the application, the applicant cited the following:

- The subject products are currently not manufactured in the SACU region and the duty renders domestic manufacturers of final products uncompetitive;
- A duty relief on the subject products will decrease the costs of manufacturing and transportation for the domestic downstream manufacturing industries; and
- The products are also used in the packaging of final products destined for the export markets. As such, a duty relief will enhance the competitiveness of downstream domestic industries in export markets.

9. The existing tariff structure for the subject products is as follows:

Table 1: Current tariff structure for the subject products

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty				
				General	EU	EFTA	SADC	MERCOSUR
7211		Flat-rolled products of iron or non-alloy steel, of a width of less than 600mm, not clad, plated or coated:						
	7211.29	Not further worked than cold-rolled (cold reduced) other	kg	10%	Free	Free	Free	10%
7212		Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm , clad, plated or coated:						
	7212.40	Painted, varnished or coated with plastics	kg	10%	Free	Free	Free	10%

10. The subject products attract a customs duty of 10% *ad valorem*. The WTO bound rate is 10% *ad valorem*.

11. For administrative purposes, the South African Revenue Service (SARS) provided the description for the requested rebate provision as follows:

“Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated, or coated, not further worked than cold-rolled (cold reduced), other, with a thickness of 0.30mm or more but not exceeding a thickness of 1.60 mm, with a carbon content by mass of 0.5 per cent or more, classifiable in tariff subheading 7211.29, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit; and

Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, painted, varnished or coated with plastics, of a thickness of 0.5 mm or more but not exceeding 1 mm, with a carbon content by mass of 0.17 per cent or more but not exceeding 0.27 per cent, classifiable in tariff subheading 7212.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit.”

12. The application was published in the Government Gazette on 21 June 2019 for comments by interested parties.

INDUSTRY AND MARKET

13. The applicant procures the coils and processes them in its slitting and cut-to-length line as well as its precision rolling line, amongst other things. The bulk of the subject products are used in the circuit breaker and automotive applications.

14. There are three known manufacturers of cold rolled (cold-reduced) steel and coated steel in the SACU region:

- ArcelorMittal South Africa Limited (“AMSA”);
- Safal Steel (Pty) Ltd; and
- Duferco Steel Processing (Pty) Ltd.

15. While the domestic industry does manufacture a wide range of cold rolled steel and coated steel, it does not manufacture the subject products in the specifications required by the local market.

COMPETITIVE POSITION

16. The rebate provision on the relevant ordinary customs duty should contribute to the reduction in the costs of production and improvement in the competitive position of the applicant, including the domestic industry manufacturing automotive components, circuit breakers and steel strappings for bulk transportation.

COMMENTS

17. Support for the creation of a rebate provision for the subject products was received from AMSA, the largest domestic steel producer, citing that it does not currently produce the cold rolled steel and painted steel as required by the applicant.

FINDINGS

18. 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.

19. The duty relief, through the creation of a rebate provision, should allow the applicant, together with the downstream manufacturing industry, to maintain, and potentially increase, profitability in both the medium and long term.

RECOMMENDATION

20. In light of the foregoing, the Commission recommended the creation of a temporary rebate facility on certain imported cold-rolled steel and painted steel, classifiable under tariff subheadings 7211.29 and 7212.40., as follows:

“Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated, or coated, not further worked than cold-rolled (cold reduced), other, with a thickness of 0.30mm or more but not exceeding a thickness of 1.60 mm, with a carbon content by mass of 0.5 per cent or more, classifiable in tariff subheading 7211.29, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit; and

Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, painted, varnished or coated with plastics, of a thickness of 0.5 mm or more but not exceeding 1 mm, with a carbon content by mass of 0.17 per cent or more but not exceeding 0.27 per cent, classifiable in tariff subheading 7212.40, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit.”