

**REPORT NO. 662**

**CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF CERTAIN FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF 600MM OR MORE, HOT-ROLLED, NOT CLAD, PLATED OR COATED, CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7208.26 AND 7208.27**

The International Trade Administration Commission herewith presents its Report No. 662: **CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF CERTAIN FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF 600MM OR MORE, HOT-ROLLED, NOT CLAD, PLATED OR COATED, CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7208.26 AND 7208.27**, with recommendations.



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**MELULEKI NZIMANDE**  
**CHIEF COMMISSIONER**

**PRETORIA**

**03/08/2021**

# REPUBLIC OF SOUTH AFRICA

## INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

### REPORT NO. 662

#### **CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF CERTAIN FLAT-ROLLED PRODUCTS OF IRON OR NON-ALLOY STEEL, OF A WIDTH OF 600MM OR MORE, HOT-ROLLED, NOT CLAD, PLATED OR COATED, CLASSIFIABLE UNDER TARIFF SUBHEADINGS 7208.26 AND 7208.27**

#### **Synopsis**

Webber Wentzel Attorneys representing Steelbank Merchants (Pty) Ltd (“Steelbank”) applied for the creation of temporary rebate provisions on ordinary customs and safeguard duties for the importation of certain flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, hot-rolled, not clad, plated or coated, classifiable under tariff subheadings 7208.26 and 7208.27.

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

- The Commission found that there is currently no manufacturer of the subject products in the SACU region. As such, the applicable customs duty has a cost-raising effect in the manufacture of various automotive products.
- The duty relief through the creation of a Schedule 4 temporary rebate facility will result in the cost reduction for the subject products and improve the competitive position of the domestic industry manufacturing various automotive products.
- The temporary rebate provisions will be subject to an ITAC rebate permit issued in terms of the applicable rules, guidelines, and conditions.

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

The Commission recommended that the temporary rebate provisions for the importation of certain flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, hot-rolled, not clad, plated or coated, classifiable under tariff subheadings 7208.26 and 7208.27 be created.

## **THE APPLICATION AND TARIFF POSITION**

1. Webber Wentzel Attorneys representing Steelbank Merchants (Pty) Ltd (“Steelbank”) for the creation of temporary rebate provisions on ordinary customs and safeguard duties for the importation of certain flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, hot-rolled, not clad, plated or coated, classifiable under tariff subheadings 7208.26 and 7208.27.
2. Steelbank is a steel service centre and steel stockist. Steelbank purchases certain steel products, particularly flat steel products, which it processes by slitting, cutting to length and distributes it to the domestic industry.
3. The applicant has plants situated in KwaZulu-Natal (Pinetown and Durban), Western Cape (Cape Town) and Gauteng (Alberton).
4. The subject products are flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, hot-rolled, not clad, plated or coated imported by the applicant for use in the automotive industry.
5. The subject products are imported in the following specifications:
  - HDT760C classifiable under tariff subheading 7208.26, which is a complex-phase steel with very high strengths and yield points. This makes the subject products suitable for use in the automotive industry, particularly for weight-saving production of cold-formed, crash-relevant automotive components such as side impact intrusion beams, B-pillar reinforcements, profiles, cross members, body reinforcements, bumper bars and chassis parts.
  - SPH440, Qste 420MC and S420MC grades, less than 2mm thick classifiable in tariff subheading 7208.27, each of which has its own function and method of use. This makes the products suitable for use in automobile structural parts that require good formability, such as frames or wheels.

Figures 1, 2 and 3 below show the subject products imported by the applicant.

**Figure 1: Mother Coils**



**Figure 2: Blanks cut to size**



**Figure 3: Slit coils**



6. As motivation for the application, the applicant cited amongst others the following reasons:

- There is no domestic manufacturer of the flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, hot-rolled, not clad, plated or coated, classifiable under tariff subheadings 7208.26 and 7208.27 of the grade and specifications required for various applications in the automotive industry; and
- Currently, the customs and safeguard duties incurred on the subject products are passed on to the end-users.

**Tariff Position**

7. The current tariff structure of the subject products is indicated in table 2 below:

**Table 2: Tariff position for the subject products**

Tariff heading	Tariff subheading	Description	Statistical units	Rate of duty					
				General	EU	EFTA	SADC	MERCOSUR	AfCFTA
72.08	<b>Flat-rolled products of iron or non-alloy steel, of width of 600mm or more, hot-rolled, not clad, plated or coated:</b>								
7208.2	Other, in coils, not further worked								
	7208.26	Of a thickness of 3 mm or more but less than 4,75 mm	Kg	10%	Free	Free	Free	10%	8%
	7208.27	Of a thickness less than 3 mm	Kg	10%	Free	Free	Free	10%	8%

Source: SARS, (2021)

8. The subject products attract ordinary customs duty of 10% *ad valorem*, which is the WTO bound rate.

9. The current safeguard duty structure applicable to the subject products is given in table 3 below.

**Table 3: Safeguard duty on the subject products**

Tariff Heading	Code	CD	Description	Rebate Items	Imported from or Originating in	Rate of Safeguard
72.08	01.04	47	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated (excluding that imported from or originating in: Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo (The Democratic Republic of the), Congo (Republic of the), Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt (Arab Republic of), El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia (Republic of), Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran (Islamic Republic of), Iraq (Republic of), Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea (Democratic People's Republic of), Kosovo, Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Lithuania, Macedonia (former Yugoslav Republic of), Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia (Federated States of), Moldova (Republic of), Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Russian Federation, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, São Tomé and Príncipe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sri Lanka, Sudan, Suriname, Eswatini, Syrian Arab Republic, Tajikistan, Tanzania (United Republic of), Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uruguay, Uzbekistan, Vanuatu, Venezuela (Bolivarian Republic of), Vietnam, West Bank and Gaza (State of Palestine), Yemen, Zambia, Zimbabwe)	301.00-399.00; 401.00-499.00 (excluding 460.15/7208.5/0 1.05; 460.15/7208.5/0 2.05; 460.15/7208.5/0 3.05)	All countries	8%

Source: SARS, (2021)

10. The applicant is requesting a temporary rebate provision on ordinary customs and safeguard duties. The South African Revenue Service (“SARS”) provided the descriptions for the temporary rebate provisions, as follows:

*“Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, in coils, not further worked than hot-rolled, pickled, of a thickness of 3 mm or more but less than 4,75 mm, classifiable in tariff subheading 7208.26, 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*

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, in coils, not further worked than hot-rolled, pickled, of a thickness of less than 3 mm, classifiable in tariff subheading 7208.27, 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.”*

11. The application was published in the Government Gazette No. 44277 on 16 March 2021 under Notice 117 of 2021 for four (4) weeks for interested parties to comment.

## **INDUSTRY AND MARKET**

12. In its analysis of the South African metal fabrication industry, the Industrial Policy Action Plan (IPAP 2018/19-2020/21) notes that the downstream industry in the sector is highly labour intensive and is a critical sector to curb the high unemployment rate in the country.

13. In addition, IPAP notes that the trade deficit in the downstream industries continues to worsen while the upstream industries have lost some competitive advantage in the export markets. This is particularly prominent in the steel sector as the global industry is confronted by overcapacity challenges and low steel prices. The IPAP identified high volume of imports, uncompetitive input costs, and technological inefficiencies across entire value chains, and unequal trading platforms as some challenges hindering the competitiveness of the industry.

14. Over the years, the Commission has created various rebate provisions for the importation of steel products of the grade and specifications required by the automotive industry. The subject products are downstream steel products of the grade and specifications required for various applications in the automotive industry.

15. The South African Automotive Masterplan cited that in order for the industry to realise its full potential, South Africa also has a discreet set of automotive-linked materials supply that need to be developed in alignment with the evolution of new automotive technologies. In regards, certain grades of steel products have been identified as one of the core areas of potential sustained competitive advantage for the South African automotive industry. It is therefore essential that base South African capabilities be advanced across these core materials in support of automotive industry requirements through to 2035.

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

17. The known importers of the subject products include Trident Steel (Pty) Ltd; Pro Roof Steel & Tube (Pta) (Pty) Ltd, BSI Group South Africa (Pty) Ltd, Robor (Pty) Ltd; Macsteel Services Center SA (Pty) Ltd and Steelrode (Pty) Ltd.

18. Steelbank has over the years targeted providing value-add service with respect to steel

in particular for the automotive industry. The known customers of the applicant are GUD Filters (Pty) Ltd, Formex Tubing (Pty) Ltd, Benteler SA (Pty) Ltd, L & J Tool & Eng Works (Pty) Ltd, Toyota S.A, MA Automotive (Pty) Ltd, Praga Technical (Pty) Ltd, Malben Engineering CC, IG Tooling & Light Engineering (Pty) Ltd, SA Tool & Die CC, Nissan SA, Donaldson Filters and Brace Able.

### **COMPETITIVE POSITION**

19. The creation of a rebate facility will contribute to the reduction of importation cost on the subject products and improve the competitive position of the automotive industry.

### **COMMENTS RECEIVED**

20. Comments were received from ArcelorMittal South Africa Limited (“AMSA”) in support of the creation of a rebate provision for the subject products stating that it does not produce the specific steel grades required for applications in the automotive industry. AMSA maintains that the rebate provisions must be specific in nature and permit issued should be limited to the products that are not manufactured locally.

### **FINDINGS**

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

- The Commission found that there is currently no manufacturer of the subject products in the SACU region. As such, the applicable customs duty has a cost-raising effect in the manufacture of various automotive products.
- The duty relief through the creation of a Schedule 4 temporary rebate facility will result in the cost reduction for the subject products and improve the competitive position of the domestic industry manufacturing various automotive products.
- The temporary rebate provisions will be subject to an ITAC rebate permit issued in terms of the applicable rules, guidelines, and conditions.



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

The Commission recommended that the temporary rebate provisions for the importation of certain flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, hot-rolled, not clad, plated or coated, classifiable under tariff subheadings 7208.26 and 7208.27 be created.

## **RECOMMENDATION**

22. In light of the foregoing, The Commission recommended the creation of temporary rebate provisions for the importation of certain flat-rolled products of iron or non-alloy steel, of a width of 600mm or more, hot-rolled, not clad, plated or coated, classifiable under tariff subheadings 7208.26 and 7208.27, as follows:

*“Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, in coils, not further worked than hot-rolled, pickled, of a thickness of 3 mm or more but less than 4,75 mm, classifiable in tariff subheading 7208.26, 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*

*Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, in coils, not further worked than hot-rolled, pickled, of a thickness of less than 3 mm, classifiable in tariff subheading 7208.27, 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.”*