

REPORT NO. 660

**CREATION OF A TEMPORARY REBATE PROVISION FOR THE
IMPORTATION OF CERTAIN OUTER RINGS OF JOURNAL ROLLER
BEARINGS**

The International Trade Administration Commission of South Africa herewith presents its Report No. 660: **Creation of a temporary rebate provision for the importation of certain outer rings of journal roller bearings**, with recommendations.



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AYABONGA CAWE
CHIEF COMMISSIONER

PRETORIA
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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 660

CREATION OF A TEMPORARY REBATE PROVISION FOR THE IMPORTATION OF CERTAIN OUTER RINGS OF JOURNAL ROLLER BEARINGS

Synopsis

The International Trade Administration Commission of South Africa ("ITAC" or Commission") received an application from Timken South Africa (Pty) Ltd ("applicant" or "Timken") for the creation of a temporary rebate provision for the importation of certain outer rings of journal roller bearings, classifiable under tariff subheading 8482.99.17.

The subject products are outer rings of railway journal bearings, also referred to as "the cup", which is the outer part of the bearing covering all the other elements that make up the full railway journal roller bearing. The outer rings of railway journal bearing subject to this investigation are of an outside diameter of 195mm or more but not exceeding 196mm, or 207mm or more but not exceeding 209mm.

The Commission considered the application in light of all the information at its disposal. The Commission found that there is currently no manufacturer of the outer cup in the SACU region. As such, the applicable customs duty has a cost-raising effect on the manufacture of the final product (railway journal bearings).

The duty relief, through the creation of a Schedule 4 temporary rebate provision, will result in a reduction in production costs and improve the competitive position for the domestic industry manufacturing railway journal bearings.

While determining that the creation of a temporary rebate provision would improve the price-competitiveness of the domestic industry, the Commission concluded at the same time that retaining the customs duty on the subject product would incentivise potential investors to invest in the manufacture of the product in the SACU region in the medium-long term.

The Commission recommended that a temporary Schedule 4 rebate provision be created for the importation of certain outer rings of journal roller bearings, classifiable under tariff subheading 8482.99.17. The Commission further recommended that the rebate provision be reviewed after a period of three (3) years (unless otherwise determined by the Commission) following its implementation in order to review additional localisation opportunities with an upturn in demand. The temporary rebate provision will be subject to an ITAC permit issued in terms of guidelines, rules and conditions.

THE APPLICATION AND TARIFF POSITION

1. ITAC received an application from Timken for the creation of a temporary rebate provision for the importation of outer rings of journal roller bearings, finished, of an outside diameter of 195mm or more but not exceeding 196mm, or 207mm or more but not exceeding 209mm, classifiable under tariff subheading 8482.99.17.
2. Timken has a factory based in Kempton Park (Gauteng province). The company's line of business includes manufacturing ball and roller bearings. The roller-bearing production is an integral part of Timken's business. The company is also involved in the assembly and maintenance of various railway bearings.
3. As motivation for the application, the applicant cited, amongst others, the following reasons:
 - There is currently no manufacturer of outer rings of railway journal roller bearings in the SACU region;
 - The applicant used to manufacture the subject product locally. However, it ceased production in 2016; and
 - Domestic demand of the subject product does not justify the investment required in setting up a complete manufacturing production line.

4. The application was published in the Government Gazette No.44229 under Notice No.88 of 05 March 2021 for four (4) weeks for interested parties to comment, as follows:

TEMPORARY REBATE PROVISION FOR:

"The importation of outer rings of journal roller bearings, finished, of an outside diameter of 195 mm or more but not exceeding 196 mm, or of 207 mm or more but not exceeding 209 mm, classifiable under tariff subheading 8482.99.17".

5. The current tariff structure for the subject product is shown in Table 1 below.

Table 1: Current tariff structure

Heading/ Sub heading	Description	Statistical Unit	Rate of Duty					
			General	EU	EFTA	SADC	MERCOSUR	AfCFTA
84.82	Ball or roller bearings:							
8482.9	-Parts:							
8482.99	--Other:							
8482.99.17	-- -Outer rings of journal roller bearing, finished, of an outside diameter of 195mm or more but not exceeding 196mm, or of 207mm or more but not exceeding 209mm	Kg	20%	Free	Free	Free	18%	16%

Source: SARS, 2021

6. The subject product, as shown in Table 1 above, attracts a general rate of customs duty of 20% *ad valorem*, 18% *ad valorem* when imported from MERCOSUR, and 16% *ad valorem* when imported from the African Continental Free Trade Area ("AfCFTA").
7. The World Trade Organisation ("WTO") bound rate for the subject product is 30% *ad valorem*.
8. The South African Revenue Service ("SARS") provided the following rebate wording to enable administration of the rebate provision:

"Outer rings of journal bearings, finished, of an outside diameter of 195 mm or more but not exceeding 196 mm, or of 207 mm or more but not exceeding 209 mm, classifiable under tariff subheading 8482.99.17; in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit".

INDUSTRY AND MARKET

9. Timken used to manufacture the subject product (outer cup) locally. However, in 2016, the company ceased manufacturing the subject product locally. As such, there is currently no known manufacturer of the subject product in the SACU region.
10. In terms of the final product (railway journal bearing), there are three known manufacturers in the SACU region, namely, Timken South Africa (Pty) Ltd (the applicant); Reelin Bearings; and Schaeffler South Africa (Pty) Ltd.
11. In the domestic market, the applicants mainly supply the full railway journal bearing to Transnet SOC Ltd. Other local end-users of the full railway journal bearing include the Passenger Rail Agency of South Africa ("Prasa") and Gautrain.

COMPETITIVE POSITION

12. The Schedule 4 temporary rebate provision will result in a reduction in production costs and improve the competitive position for the domestic industry manufacturing railway journal bearings.

FINDINGS

13. The Commission considered the application in light of all the information at its disposal.
14. The Commission found that there is currently no manufacturer of the outer cup in the SACU region. As such, the applicable customs duty has a cost-raising effect on the manufacture of the final product (railway journal bearings).
15. The duty relief, through the creation of a Schedule 4 temporary rebate provision, will result in a reduction in production costs and improve the competitive position of the domestic industry manufacturing railway journal bearings.
16. While determining that the creation of a temporary rebate provision would improve the price-competitiveness of the domestic industry, the Commission concluded at the same time that retaining the customs duty on the subject product would incentivise potential

investors to invest in the manufacture of the product in the SACU region in the medium-long term.

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

RECOMMENDATION

18. In the light of the foregoing, the Commission recommended that a temporary rebate provision be created for the importation of certain outer rings of journal roller bearings, classifiable under tariff subheading 8482.99.17, as follows:

“Outer rings of journal bearings, finished, of an outside diameter of 195 mm or more but not exceeding 196 mm, or of 207 mm or more but not exceeding 209 mm, classifiable under tariff subheading 8482.99.17: in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit”.

19. The Commission further recommended that the rebate provision be reviewed after a period of three (3) years (unless otherwise determined by the Commission) following its implementation in order to review additional localisation opportunities with an upturn in demand.

NOTICE OF 2022

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

INVESTIGATION INTO THE ALLEGED DUMPING OF NON-ARTICULATED WELDED LINK CHAINS WHICH ARE MANUFACTURED FROM ROUND SECTION IRON OR STEEL WIRE, BARS OR RODS OF A DIAMETER OF 4 MM OR MORE, BUT NOT EXCEEDING 20 MM ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (CHINA): FINAL DETERMINATION

McKinnon Chain, a Division of Scaw South Africa (Pty) Ltd submitted an application to the International Trade Administration Commission of South Africa ("the Commission") alleging that non-articulated welded link chains manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm ("welded link chains"), are being dumped on the Southern African Customs Union ("SACU") market, causing material injury and a threat of material injury to the SACU industry.

The Commission subsequently initiated an anti-dumping investigation into the alleged dumping of welded link chains originating in or imported from China, through Notice No. 564 of 2021 in *Government Gazette* No. 45176 dated 17 September 2021.

On the basis of the information available, the Commission made a preliminary determination that the subject product originating in or imported from China was dumped onto the Southern African Customs Union ("SACU") market causing material injury and a threat of material injury to the SACU industry. The Commission's preliminary findings are contained in its Preliminary Report No. 686 ("Preliminary Report").

On 01 April 2022, the South African Revenue Service ("SARS") imposed provisional anti-dumping measures on the subject product pursuant to Notice No. R. 180 of 2022 in *Government Gazette* No. 46165.

Subsequently, the Commission invited comments from all known interested parties on its preliminary determination.

The Commission made a final determination that dumping of the subject product originating in or imported from China was taking place, causing material injury and a threat of material injury to the SACU industry.

The Commission therefore recommended to the Minister of Trade, Industry and Competition (“the Minister”) that anti-dumping duties be imposed on welded link chains which are manufactured from round section iron or steel wire, bars or rods of a diameter of 4 mm or more, but not exceeding 20 mm, originating in or imported from China.

In considering the Commission’s recommendation, the Minister noted that the volumes of the alleged dumped imports declined over the investigation period. However, the Minister further observed based on the Commission’s report that the decline in imports was more rapid than the rate of decline in domestic consumption. The Commission’s recommendation also indicated that there had been a significant reduction in imports from China over the period of the investigation. The Minister further noted that the overall market share of the Applicant appeared to be rising over the period of investigation.

Regarding the impact on prices, the Minister noted that the Applicant’s ex-factory selling price increased over the investigation period and that the Applicant did not experience price undercutting over the period of investigation.

In the case of the impact on the Applicant, the Minister noted that while the profitability and return on investment were negative for much of the investigation period, these operational measures improved across the period and were positive for HS 7315.82.05 in 2021. The Minister further noted that productivity had improved over the period for both products.

Furthermore, the Minister found that although the information available indicated that sales volumes, output and capacity utilization all declined over the investigation period, these declines appeared to be in line with broader trends in the economy, resulting from

economic disruptions caused by and associated with COVID-19. The Minister further noted that the declines indicate that the Applicant performed better than reported declines in consumption levels, suggesting a marginal improvement in performance relative to the available market.

Regarding the threat of material injury, the Minister found that although the information available indicated that China had increased its freely disposable capacity, the evidence contained in the Commission's report indicated a significant reduction in imports from China over the period of the investigation.

The Minister therefore decided to reject the Commission's recommendation. This rejection was based on the Minister's belief that the Commission's recommendation did not duly empower him to establish, to a reasonable degree of certainty, that material injury or the threat of it from dumped imports, had been inflicted on the applicant.

Recognising that as the global economy recovers from the impact of the COVID-19 pandemic, circumstances may change, the Minister further requested the Commission to monitor imports of the subject product and to act where required to protect local industry from unfair trade.

Should you have any queries, please do not hesitate to contact Ms Regina Peta at RPeta@itac.org.za or Mr Emmanuel Manamela at EManamela@itac.org.za.