

**REPORT NO. 702**

**REVIEW OF CUSTOMS DUTY ON LEAD-ACID BATTERIES  
OF A KIND USED TO START PISTON ENGINES**

The International Trade Administration Commission of South Africa presents its  
**REPORT NO. 702: REVIEW OF CUSTOMS DUTY ON LEAD ACID BATTERIES  
OF A KIND USED TO START PISTON ENGINES.**



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**PRETORIA**

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**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**  
**REPORT NO. 702**  
**REVIEW OF CUSTOMS DUTY ON LEAD ACID BATTERIES OF A KIND USED TO**  
**START PISTON ENGINES**

**Synopsis**

In its ITAC Report No. 491, the International Trade Administration Commission of South Africa (“ITAC” or “Commission”) committed to reviewing the duty structure applicable to lead-acid batteries of a kind used to start piston engines, classifiable under tariff subheadings 8507.10.91 and 8507.10.99, three years following tariff support.

The Commission initiated a review of the customs duty applicable to lead-acid batteries of a kind used to start piston engines on 18 March 2022 through a publication in the Government Gazette No. 46059 of under Notice No. 894 of 2022 for interested parties to comment.

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

- In terms of Industrial Policy, the subject product resides in the automotive industry, which remains an important pillar of South Africa’s industry landscape and contributes to job creation as well as economic growth;
- There are currently four known manufacturers of the subject product in the SACU region, namely: First National Battery, a division of Metair Industries (Pty) Ltd; Auto- X (Pty) Ltd; Donaventa Holdings t/a Dixon Batteries (Pty) Ltd; and Chloride Exide Botswana (Pty) Ltd;
- Tariff support in 2015 resulted in the temporary reduction of low-priced imports of the subject products. This assisted the SACU industry manufacturing lead-acid batteries to increase its market share of domestically

- manufactured products, investment in capital machinery and employment;
- In the recent three-year period under review, there has been a resurgence of import volumes, and there remains significant imports that are low-priced;
  - The significant volume of imports into the SACU region has resulted in the displacement of local production, a decline in market share, production volumes, capacity utilisation and employment opportunities;
  - The SACU industry is facing increasing costs, declining profitability and declining competitiveness against imported products. Additionally, the SACU industry is facing challenges securing lead waste and scrap, which are regarded as key inputs in the manufacture of the subject products;
  - The SACU industry is experiencing significant overall price disadvantages against imports of the subject product;
  - The SACU industry manufacturing the subject product supports a significant number of jobs in the SACU; and
  - Should tariff support be granted at a level of 30 per cent *ad valorem*, the SACU industry committed to increasing expenditure on supply side measures, employment and investment in capital machinery in the three-year period following tariff support.

The Commission concluded that tariff support of 30 per cent *ad valorem* would enable the SACU industry to grow its market share increase economies of scale and utilize its existing under-utilized capacity. This should enhance the competitive position of the 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 automotive sector.

The Commission recommended that the rate of customs duty applicable to lead acid batteries of a kind used to start piston engines classifiable under tariff subheading 8507.10.91 and 8507.10.99 be increased from 15 per cent *ad valorem* to 30 per cent *ad valorem*.

## THE APPLICATION AND TARIFF POSITION

1. In 2014, Powertech Batteries a division of Powertech Industries (Pty) Ltd and First National Batteries (Pty) Ltd applied for an increase in customs duty on lead acid batteries from 5 per cent *ad valorem* to 30 per cent *ad valorem*.
2. However, the Commission at the time found no justification for an increase in duty to the requested level of 30 per cent *ad valorem*. The Commission found that such an increase would have had an undue cost-raising effect on industrial users and consumers. On balance, the Commission found that tariff support at 15 per cent *ad valorem* would address the domestic industry's price-competitive position and enable it to utilise its installed production capacity and achieve economies of scale.
3. The Commission recommended a review of the duty structure following tariff support to monitor the impact of the duty on the industry value chain. The recommendation was implemented on 10 April 2015 as per ITAC's Report No. 491.
4. The Commission initiated a review of the customs duty applicable to lead-acid batteries of a kind used to start piston engines on 18 March 2022 through a publication in Government Gazette No. 46059 of under Notice No.894 of 2022 as follows:

***“Review of the general rate of customs duty on: lead-acid batteries of a kind used to start piston engines classifiable under tariff subheading 8507.10.9.”***

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

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

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty					
				General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
<b>85.07</b>	<b>Electric accumulators, including separators therefor, whether or not rectangular (including square):</b>								
	<b>8507.10</b>	Lead-acid, of a kind used for starting piston engines:							
	8507.10.9	<b>Other:</b>							
	8507.10.91	Used	U	15%	Free	Free	Free	15%	15%
	8507.10.99	Other	U	15%	Free	Free	Free	15%	15%

6. As per the Table 1 above, new and used lead-acid batteries for vehicles currently attracts a general rate of customs duty of 15 per cent *ad valorem*. The subject product also attracts 15 per cent *ad valorem* duty when imported from MERCOSUR and the African Continental Free Trade Area (“AfCFTA”). The World Trade Organisation (“WTO”) bound rate for all the subject products is 30 per cent *ad valorem*.

## **INDUSTRY AND MARKET**

7. The subject products are automotive lead-acid batteries, typically 12 volts, which are used to power the starter motor, lights, and the ignition system of a vehicle's engine. The subject products supply voltage to vehicle accessories such as air-conditioners, radio, music players, wipers, and charging plugs.
8. The domestic industry manufactures both flooded lead-acid batteries as well as absorbent glass mat (“AGM”) battery. The AGM battery is a more advanced lead-acid battery that offers better support to technological advancements in cars, including stop/start technology.
9. In the SACU region, there are four known manufacturers of the subject products, namely: Auto-X (Pty) Ltd, previously known as Powertech Batteries, a division of Powertech Industries (Pty) Ltd; First National Battery (Pty) Ltd; Dixon Batteries (Pty) Ltd (“Dixon”); and Chloride Exide Botswana (Pty) Ltd (“Chloride Exide”).
10. The known importers of the subject product include Auto-X (Pty) Ltd; FNB (Pty) Ltd; Toyota South Africa Motors (Pty) Ltd; Nissan SA (Pty) Ltd; BMW SA (Pty) Ltd; Ford Motor Company SA (Pty) Ltd; VW SA (Pty) Ltd; and Mercedes Benz SA (Pty) Ltd.
11. Batteries that are destined for assembly of vehicles can be imported under Chapter 98 of the Customs and Excise Act, and were excluded from the review.
12. The subject product form part of the automotive industry, which remains an important pillar of South Africa’s industry landscape and contributes to job

creation as well as economic growth. Lead-acid battery manufacturers account for significant number jobs within the automotive sector.

13. Challenges facing the SACU industry include, amongst others: high sourcing cost for virgin lead; high export volumes of scrap batteries, a key input in the manufacture of the subject products; alleged circumvention of Price Preference System in terms of export of scrap lead batteries and high energy costs.

14. Export data from SARS highlights that exports of lead waste and scrap, a key input in the manufacture of the subject products, increased significantly during the period 2019 to 2021. The increase in export volumes of lead and waste scrap was cited as contributor to rising input costs and declining competitiveness against imported finished lead-acid batteries.

15. In terms of the imports, according to trade data from SARS, low-priced imports of the subject product reduced following the implementation of the 15 per cent *ad valorem* duty. However, in the recent three-year period there has been a resurgence of imports from originating from Europe and Asia, which displaced domestic production.

## **COMPETITIVE POSITION**

16. Based on the information at the Commission's disposal, the domestic industry manufacturing acid lead-batteries experienced price disadvantages *vis-à-vis* the imported lead-acid batteries. Contributing factors included increasing production costs and declining profitability.

## **COMMENTS**

17. Comments in support of the application were received from the National Association of Automotive Components and Allied Manufacturers ("NAACAM") and South African Chemical Workers Union ("SACWU").

18. The support centred on the importance of the domestic industry in job creation and retention in the SACU economies; on-going market erosion by imported competitors; the constant rise in production related costs resulting in declining competitiveness against imported products; increasing surplus of duty credits that

may result in reduced effectiveness of existing tariff support; and that an increase in customs duty would be geared towards protecting SACU industries and improving their competitiveness.

19. Comments objecting to the application were received from NAAMSA| the Automotive Business Council (“NAAMSA”). The objections centred on the sufficiency of existing duties in supporting local manufacturing; and the effects of the duty to local consumers. NAAMSA recommended that alternative options (such as Trade Remedies instruments) should be explored before the duty is increased to 30 per cent *ad valorem*.

## **FINDINGS**

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

- In terms of Industrial Policy, the subject product resides in the automotive industry, which remains an important pillar of South Africa’s industry landscape and contributes to job creation as well as economic growth;
- There are currently four known manufacturers of the subject product in the SACU region, namely: First National Battery, a division of Metair Industries (Pty) Ltd; Auto- X (Pty) Ltd; Donaventa Holdings t/a Dixon Batteries (Pty) Ltd; and Chloride Exide Botswana (Pty) Ltd;
- Tariff support in 2015 resulted in the temporary reduction of low-priced imports of the subject products. This assisted the SACU industry manufacturing lead-acid batteries to increase its market share of domestically manufactured products, investment in capital machinery and employment;
- In the recent three-year period under review, there has been a resurgence of import volumes, and there remains significant imports that are low-priced;
- The significant volume of imports into the SACU region has resulted in the displacement of local production, a decline in market share, production volumes, capacity utilisation and employment opportunities;
- The SACU industry is facing increasing costs, declining profitability and



declining competitiveness against imported products. Additionally, the SACU industry is facing challenges securing lead waste and scrap, which are regarded as key inputs in the manufacture of the subject products;

- The SACU industry is experiencing significant overall price disadvantages against imports of the subject product;
- The SACU industry manufacturing the subject product supports a significant number of jobs in the SACU; and
- Should tariff support be granted at a level of 30 per cent *ad valorem*, the SACU industry committed to increasing expenditure on supply side measures, employment and investment in capital machinery in the three-year period following tariff support.

21. The Commission concluded that tariff support of 30 per cent *ad valorem* would enable the SACU industry to grow its market share increase economies of scale and utilize its existing under-utilized capacity. This should enhance the competitive position of the 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 automotive sector.

## **RECOMMENDATION**

22. In light of the foregoing, the Commission recommended that the rate of customs duty applicable on lead-acid batteries of a kind used to start piston engines classifiable under tariff subheading 8507.10.91 and 8507.10.99 be increased from 15 per cent *ad valorem* to 30 per cent *ad valorem*.