

REPORT NO. 727

AMENDMENT AND RENUMBERING OF REBATE ITEMS

316.17/00.00/01.00, 316.17/00.00/02.00 AND 316.17/00.00/03.00, USED FOR THE IMPORTATION OF OTHER ELECTRIC CONDUCTORS FOR A VOLTAGE NOT EXCEEDING 1 000 V, FITTED WITH CONNECTORS, CLASSIFIABLE UNDER TARIFF SUBHEADING 8544.42

The International Trade Administration Commission herewith presents its **Report No. 727: AMENDMENT AND RENUMBERING OF REBATE ITEMS 316.17/00.00/01.00, 316.17/00.00/02.00 AND 316.17/00.00/03.00, USED FOR THE IMPORTATION OF OTHER ELECTRIC CONDUCTORS FOR A VOLTAGE NOT EXCEEDING 1 000 V, FITTED WITH CONNECTORS, CLASSIFIABLE UNDER TARIFF SUBHEADING 8544.42,** with recommendations.



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AYABONGA CAWE
CHIEF COMMISSIONER

PRETORIA
9 APRIL 2024

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 727

AMENDMENT AND RENUMBERING OF REBATE ITEMS 316.17/00.00/01.00, 316.17/00.00/02.00 AND 316.17/00.00/03.00, USED FOR THE IMPORTATION OF OTHER ELECTRIC CONDUCTORS FOR A VOLTAGE NOT EXCEEDING 1 000 V, FITTED WITH CONNECTORS, CLASSIFIABLE UNDER TARIFF SUBHEADING 8544.42

Synopsis

Apex Cordset Technologies (Pty) Ltd (herein referred to as “Apex” or “the applicant”), applied for the amendment and renumbering of Rebate Items 316.17/00.00/01.00, 316.17/00.00/02.00 and 316.17/00.00/03.00, used for the importation of other electric conductors for a voltage not exceeding 1 000 V, fitted with connectors, classifiable under tariff subheading 8544.42.

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 took the following factors into account:

- The domestic industry manufacturing insulated conductor cables has the capacity and capability to manufacturer the subject products within the SACU region for the domestic TV manufacturing industry;
- Currently, the subject products attract a 15% *ad valorem* MFN duty and a 15% *ad valorem* duty under MERCOSUR. However, for the TV manufacturing industry, the subject products are imported free of duty under the existing rebate provisions subject to this investigation;

- With a full rebate of duty on the subject product, the domestic industry is not price competitive vis-à-vis imports of similar products;
- The existing rebate provisions make it impossible for the domestic industry manufacturing the subject products to negotiate, and positively conclude, supply orders/agreements with the domestic TV manufacturing industry.
- Imports of the subject products across the applicable rebate provisions have been on an upward trajectory over the period under investigation. In addition, an unprecedented influx of imports of the products under rebate was observed in 2020 due to abnormally low import prices, mainly of imports originating from China;
- Although the applicant's total production and sales volumes increased over the period under investigation, no sales were made to the domestic TV manufacturing industry as TV manufacturers are currently importing the subject products under rebate;
- Capacity utilization remained substantially low over the period under investigation;
- The applicant has been facing an escalating cost structure for the manufacture of the subject products over the period under investigation; and
- The withdrawal from rebate of the subject products would encourage the domestic TV manufacturing industry to source the subject products from domestic suppliers.

The Commission concluded that the requested tariff support should enable the domestic industry manufacturing the subject products to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in increased volumes with a reduction in the marginal cost of production.

The Commission recommended that rebate items 316.17/00.00/01.00, 316.17/00.00/02.00, and 316.17/00.00/03.00, used for the importation of other electric conductors for a voltage not exceeding 1 000 V, fitted with connectors, classifiable under tariff subheading 8544.42, be amended, as set out in paragraph 21 of this report.

THE APPLICATION AND TARIFF POSITION

1. Apex Cordset Technologies (Pty) Ltd (herein referred to as “Apex” or “the applicant”), applied for the amendment and renumbering of rebate items 316.17/00.00/01.00, 316.17/00.00/02.00 and 316.17/00.00/03.00, used for the importation of other electric conductors for a voltage not exceeding 1 000 V, fitted with connectors, classifiable under tariff subheading 8544.42.
2. The application is for both the renumbering of the aforementioned rebate items and the withdrawal from rebate of the other electric conductors for a voltage not exceeding 1 000 V, fitted with connectors, classifiable under tariff subheading 8544.42.
3. The applicant is a manufacturer, supplier and exporter of a wide range of insulated electrical cables with a manufacturing facility in Benoni, Gauteng province. The applicant is recognised as the largest power cord manufacturer in Africa.
4. The applicant has, over the years, become a leading developer and manufacturer of power cords, household electrical accessories and detonator cable assemblies for the consumer electronics, retail and mining sectors.
5. As motivation for the application, the applicant cited, *inter alia*, the following:
 - The subject products are imported from China through rebates that were created in the past which have had unintended consequences through market distortion;
 - Although these rebate provisions were created as part of duty relief on materials and components for the manufacture of several products including monitors and set top boxes, there is sufficient domestic capacity to meet local demand of these electric cables;
 - The rebates therefore serve no purpose when there is a local producer and the withdrawal from rebate of these materials is needed in order to level the playing field and ensure the long term viability of the domestic cable industry manufacturing the subject products; and

- This will help support the growth and development of the domestic industry, create new jobs and stimulate economic growth within the country.
6. The application was initially published in Government Gazette No. 49011 of 21 July 2023 under Notice 1922 of 2023, for a period of four (4) weeks, for interested parties to comment. However, technical errors were identified in the descriptions published. Subsequently, a correction notice was published in Government Gazette No. 49458 of 13 October 2023 under Notice 2081 of 2023, for a period of two (2) weeks, for interested parties to comment, as follows:

AMENDMENT AND RENUMBERING OF REBATE ITEMS 316.17/00.00/01.00, 316.17/00.00/02.00, AND 316.17/00.00/03.00, USED FOR THE IMPORTATION OF OTHER ELECTRIC CONDUCTORS FOR A VOLTAGE NOT EXCEEDING 1 000 V, FITTED WITH CONNECTORS, CLASSIFIABLE UNDER TARIFF SUBHEADING 8544.42, AS FOLLOWS:

- Amendment and renumbering of rebate item 316.17/00.00/01.00, as follows:

Renumbered to **316.17/00.00/04.00** –

“Goods of any description (excluding mounted or populated circuit boards, picture tubes fitted with components other than the deflection coil and cabinets fitted with components and any apparatus classifiable in tariff heading 85.28 and other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors classifiable in tariff subheading 8544.42), for the manufacturing of reception apparatus for television incorporating a cathode-ray tube (CRT) classifiable in tariff heading 8528.72.20 and 8528.73.20, whether or not combined in the same housing with radio-broadcasting receivers or sound or video recording or reproducing apparatus”.

- Amendment and renumbering of rebate item 316.17/00.00/02.00, as follows:

Renumbered to **316.17/00.00/05.00** –

“Goods of any description (excluding mounted or populated circuit boards and display panels, irrespective of their degree of completion and any apparatus classifiable in heading 85.28 and other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors classifiable in tariff subheading 8544.42), at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of reception apparatus for television incorporating a display other than a cathode-ray tube (CRT) classifiable in subheadings 8528.72.90 and 8528.73.90, whether or

not combined in the same housing with radio-broadcasting receivers or sound or video recording or reproducing apparatus”.

- Amendment and renumbering of rebate items 316.17/00.00/03.00, as follows:

Renumbered to **316.17/00.00/06.00** –

“Goods of any description (excluding goods of heading 85.28, mounted or populated circuit boards **and other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors classifiable in tariff subheading 8544.42**), used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, classifiable in tariff subheading 8528.71, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit”.

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

Table 1: Current tariff position for the subject products

Tariff Heading / Subheading	Description	Statistical unit	Rate of duty					
			GENERAL	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
85.44	Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors:							
8544.4	- Other electric conductors, for a voltage not exceeding 1 000 V:							
8544.42	-- Fitted with connectors:							
8544.42.10	--- For a voltage not exceeding 80 V	kg	15%	free	free	free	15%	12%
8544.42.20	--- For a voltage exceeding 80 V but not exceeding 240 V	kg	15%	free	free	free	15%	12%
8544.42.90	--- Other	kg	15%	free	free	free	15%	12%

Source: SARS, 2023

8. The subject products are currently imported with a full rebate of duty under the three existing Schedule 3 rebate provisions. The rebate provisions are presented in Table 2 below:

Table 2: The current rebate provisions for the subject products

Rebate Item	Description	Extent of Rebate
	Goods of any description (excluding mounted or populated circuit boards, picture tubes fitted with components other than the deflection coil and cabinets fitted with components and any apparatus classifiable in tariff heading 85.28), for the manufacturing of reception apparatus for television incorporating	Full duty

316.17.00.00.01.00	a cathode-ray tube (CRT) classifiable in tariff heading 8528.72.20 and 8528.73.20, whether or not combined in the same housing with radio-broadcasting receivers or sound or video recording or reproducing apparatus	
316.17.00.00.02.00	Goods of any description (excluding mounted or populated circuit boards and display panels, irrespective of their degree of completion and any apparatus classifiable in heading 85.28), at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of reception apparatus for television incorporating a display other than a cathode-ray tube (CRT) classifiable in subheadings 8528.72.90 and 8528.73.90, whether or not combined in the same housing with radio-broadcasting receivers or sound or video recording or reproducing apparatus	Full duty
316.17.00.00.03.00	Goods of any description (excluding goods of heading 85.28 and mounted or populated circuit boards), used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, classifiable in tariff subheading 8528.71, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit	Full duty

Source: SARS (2023)

9. The applicant requested the amendment and renumbering of the above rebate provisions and for the exclusion from the rebate provisions of the subject products. Table 3 below presents the requested amendments to the existing rebate provisions, as provided by SARS:

Table 3: The requested amendments to the existing rebate provisions

Rebate Item	Description	Extent of Rebate
316.17.00.00.01.00 Renumbered to <u>316.17.00.00.04.00</u>	Goods of any description (excluding mounted or populated circuit boards, picture tubes fitted with components other than the deflection coil and cabinets fitted with components and any apparatus classifiable in tariff heading 85.28 and other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors classifiable in tariff subheading 8544.42), for the manufacturing of reception apparatus for television incorporating a cathode-ray tube (CRT) classifiable in tariff heading 8528.72.20 and 8528.73.20, whether or not combined in the same housing with radio-broadcasting receivers or sound or video recording or reproducing apparatus	Full duty
316.17.00.00.02.00 Renumbered to <u>316.17.00.00.05.00</u>	Goods of any description (excluding mounted or populated circuit boards and display panels, irrespective of their degree of completion and any apparatus classifiable in heading 85.28 and other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors classifiable in tariff subheading 8544.42), at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of reception apparatus for television incorporating a display other than a cathode-ray tube (CRT) classifiable in subheadings 8528.72.90 and 8528.73.90, whether or not combined in the same housing with radio-broadcasting receivers or sound or video recording or reproducing apparatus	Full duty
	Goods of any description (excluding goods of heading 85.28, mounted or populated circuit boards and other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors classifiable in	Full duty

<p>316.17.00.00.03.00</p> <p>Renumbered to</p> <p><u>316.17.00.00.06.00</u></p>	<p>tariff subheading 8544.42), used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, classifiable in tariff subheading 8528.71, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit</p>	
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Source: SARS, Applicant (2023)

INDUSTRY AND MARKET

10. The subject products are other electric conductors or insulated conductor cables for a voltage not exceeding 1 000 V, fitted with connectors, classifiable under tariff subheading 8544.42. The subject products include, amongst others, the 3 Pin 16A SA plug and the 2 Pin European plug. In terms of application, the subject products are used to power electronics including, amongst others, television sets and set-top-boxes.
11. The subject products are manufactured with the use of copper cable that is drawn down to various sizes and sheathed with PVC. This gets supplied in production drums where it gets processed and prepared for manufacturing of the various cable sizes. The cables are then fitted with various terminals, pins and housing. The terminals are made from brass and/or nickel and pins are made from copper or brass and assembled with a plastic nylon web. The moulded cables get tested before packaging for distribution.
12. The subject products fall under the South African electro-technical sector which is largely dependent on imported content such as electronic components mainly originating from China. South Africa's industrial policy however encourages localization of production of inputs especially where local capacity and capability exist.
13. The domestic manufacturers with the capacity to manufacture the subject products in the SACU region include: Apex (the applicant); Cable Technologies; Vari Plugs; Aberdare Cables (Pty) Ltd; and Sealtron SA.
14. The known importers and users of the subject products include: Samsung Electronics South Africa Production (Pty) Ltd; Anyview Technology (Pty) Ltd; Best Made Electronic Manufacturing SA (Pty) Ltd; CZ Electronics Manufacturing (Pty) Ltd; Hisense SA Manufacturing (Pty) Ltd; LG Electronics SA (Pty) Ltd; and Skyblu

15. Figure 1 and Figure 2 below show an illustration of some of the subject products:

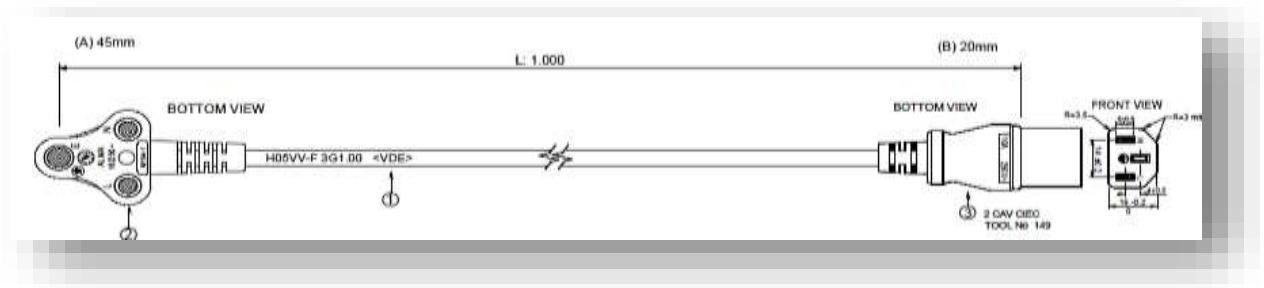


Figure 1: 3 Pin 16A SA plug

Source: Applicant (2023)

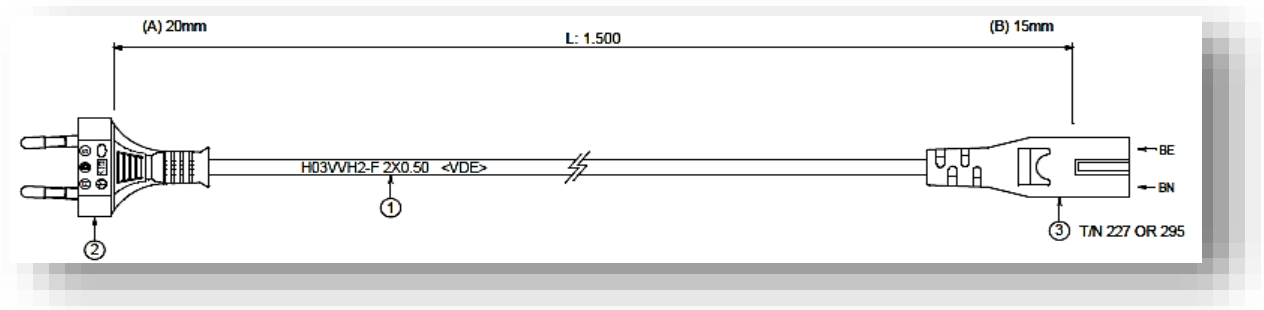


Figure 2: 2 Pin European plug

Source: Applicant (2023)

COMPETITIVE POSITION

16. The domestic industry manufacturing the subject products is not price-competitive against imports of the subject products.

COMMENTS RECEIVED

17. Comments in support of the application were received from Safe House (Pty) Ltd, citing that:

- There are local manufacturers of insulated electric cables with enough capacity to satisfy local demand;
- The existing rebates serve no purpose; and

- A rebate withdrawal is necessary to level the playing field and ensure the long-term viability of the cable manufacturing industry.

18. Comments objecting to the application were received from Anyview Technology (Pty) Ltd and Samsung Electronics South Africa Production (Pty) Ltd. Mainly, objections were citing, *inter alia*, that:

- The application covers many variants of the subject products which are not made locally;
- Some cables cannot be localised as they are specially manufactured by international subsidiaries according to certain specifications;
- Domestic prices are higher than landed cost of the subject products; and
- The proposed amendment of the existing rebate provisions will result in an increase in pricing of the final product, affecting consumers whilst making them uncompetitive in the market.

19. Comments were also received from the South African Association of Freight Forwarders (SAAFF), mainly citing that the current application is limited in scope and that it should have extended to include other rebate provisions currently used for the importation of insulated conductor cables. In addition, SAAFF suggested that other materials, other than insulated conductor cables, which may be made locally should also be considered for exclusion from rebate provisions.

FINDINGS

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

- The domestic industry manufacturing insulated conductor cables has the capacity and capability to manufacturer the subject products within the SACU region for the domestic TV manufacturing industry;
- Currently, the subject products attract a 15% *ad valorem* MFN duty and a 15% *ad valorem* duty under MERCOSUR. However, for the TV

manufacturing industry, the subject products are imported free of duty under the existing rebate provisions subject to this investigation;

- With a full rebate of duty on the subject product, the domestic industry is not price competitive vis-à-vis imports of similar products;
- The existing rebate provisions make it impossible for the domestic industry manufacturing the subject products to negotiate, and positively conclude, supply orders/agreements with the domestic TV manufacturing industry.
- Imports of the subject products across the applicable rebate provisions have been on an upward trajectory over the period. In addition, an unprecedented influx of imports of the products under rebate was observed in 2020 due to abnormally low import prices, mainly of imports originating from China;
- Although the applicant's total production and sales volumes increased over the period under investigation, no sales were made to the domestic TV manufacturing industry as TV manufacturers are currently importing the subject products under rebate;
- Capacity utilization were considerably low over the period under investigation;
- The applicant has been facing an escalating cost structure for the manufacture of the subject products over the period under consideration; and
- The withdrawal from rebate of the subject products would encourage the domestic TV manufacturing industry to source the subject products from domestic suppliers.

The Commission concluded that the requested tariff support should enable the domestic industry manufacturing the subject products to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in increased volumes with a reduction in the marginal cost of production.

RECOMMENDATION

21. In the light of the foregoing, the Commission recommended that rebate items 316.17/00.00/01.00, 316.17/00.00/02.00, and 316.17/00.00/03.00, used for the importation of other electric conductors for a voltage not exceeding 1 000 V, fitted with connectors, classifiable under tariff subheading 8544.42, be amended, as follows:

- Amendment and renumbering of rebate item 316.17/00.00/01.00, as follows:

Renumbered to **316.17/00.00/04.00** –

“Goods of any description (excluding mounted or populated circuit boards, picture tubes fitted with components other than the deflection coil and cabinets fitted with components and any apparatus classifiable in tariff heading 85.28 **and other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors classifiable in tariff subheading 8544.42**), for the manufacturing of reception apparatus for television incorporating a cathode-ray tube (CRT) classifiable in tariff heading 8528.72.20 and 8528.73.20, whether or not combined in the same housing with radio-broadcasting receivers or sound or video recording or reproducing apparatus”.

- Amendment and renumbering of rebate item 316.17/00.00/02.00, as follows:

Renumbered to **316.17/00.00/05.00** –

“Goods of any description (excluding mounted or populated circuit boards and display panels, irrespective of their degree of completion and any apparatus classifiable in heading 85.28 **and other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors classifiable in tariff subheading 8544.42**), at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of reception apparatus for television incorporating a display other than a cathode-ray tube (CRT) classifiable in subheadings 8528.72.90 and 8528.73.90, whether or not combined in the same housing with radio-broadcasting receivers or sound or video recording or reproducing apparatus”.

- Amendment and renumbering of rebate items 316.17/00.00/03.00, as follows:

Renumbered to **316.17/00.00/06.00** –

“Goods of any description (excluding goods of heading 85.28, mounted or populated

circuit boards **and other electric conductors, for a voltage not exceeding 1 000 V, fitted with connectors classifiable in tariff subheading 8544.42**), used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, classifiable in tariff subheading 8528.71, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit”.