

## **REPORT NO. 724**

**CREATION OF A TEMPORARY REBATE FACILITY FOR THE IMPORTATION OF COLLISION AVOIDANCE EQUIPMENT FOR VEHICLES INCORPORATING A VISUAL DETECTION SENSOR, CLASSIFIABLE UNDER TARIFF SUBHEADING 8512.20.**

The International Trade Administration Commission herewith presents its **Report No.724: CREATION OF A TEMPORARY REBATE FACILITY FOR THE IMPORTATION OF COLLISION AVOIDANCE EQUIPMENT FOR VEHICLES INCORPORATING A VISUAL DETECTION SENSOR, CLASSIFIABLE UNDER TARIFF SUBHEADING 8512.20,** with recommendations.



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**AYABONGA CAWE**  
**CHIEF COMMISSIONER**

**PRETORIA**

**23/11/2023**

**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**

**REPORT NO. 724**

**CREATION OF A TEMPORARY REBATE FACILITY FOR THE IMPORTATION OF COLLISION AVOIDANCE EQUIPMENT FOR VEHICLES INCORPORATING A VISUAL DETECTION SENSOR, CLASSIFIABLE UNDER TARIFF SUBHEADING 8512.20.**

**Synopsis**

DriveRisk (Pty) Ltd, (herein referred to as “DriveRisk” or “the applicant”) applied for the creation of a temporary rebate facility on collision avoidance equipment for vehicles, incorporating a visual detection sensor, classifiable under tariff subheading 8512.20.

The International Trade Administration Commission (“ITAC” or the “Commission”) considered the application in light of the information at its disposal. In particular, the Commission considered the following factors into account:


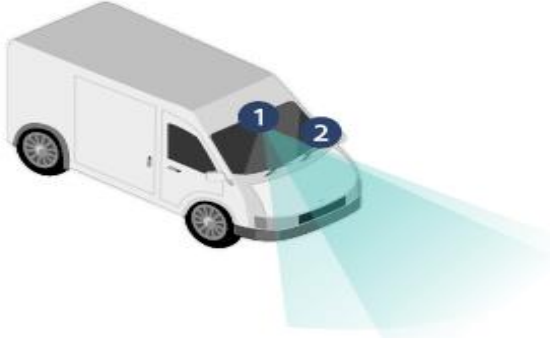
- There currently exists a domestic manufacturer of collision avoidance equipment in the SACU region;
- The locally manufactured collision avoidance system incorporates a visual detection sensor and uses cameras containing built-in artificial intelligence technologies that scan the driving scene ahead to examine detect other vehicles, pedestrians and dangers within the vehicle’s path, similar to the imported product;
- The locally manufactured product is a suitable substitute for end-users of the imported product;
- The existing duty serves to encourage and protect investment, employment and incomes in the industry manufacturing collision avoidance equipment for vehicles; and
- The creation of a rebate provision would erode protection afforded the domestic industry manufacturing of the subject product.

The Commission recommended the rejection of the application for the creation of a temporary rebate provision for the importation of collision avoidance equipment for vehicles incorporating a visual sensor, classifiable under tariff subheading 8512.20.

## **THE APPLICATION AND TARIFF POSITION**

1. DriveRisk (Pty) Ltd, herein referred to as (“DriveRisk” or “the applicant”) applied for the creation of a temporary rebate provision for the importation of collision avoidance equipment for vehicles incorporating a visual detection sensor. The subject product is classifiable under tariff subheading 8512.20 and attracts a general rate of customs duty of 15% *ad valorem*.
2. DriveRisk is a Gauteng based (Benoni) company and is part of KAP Industrial Holdings Ltd group. It provides solutions related to driver-behaviour management by providing risk-identifying technologies coupled with behaviour-monitoring solutions. The services are mainly offered to fleet operators who use the products and services in trucks and light motor vehicles.
3. The applicant started importing the subject product in 2018 from Israel and China (Hong Kong) from a company called Mobileye and supplies it to their clients across South Africa. DriveRisk makes use of approximately 15 third-party fitment centres across South Africa where they install the subject product as well as an in-house installing company.
4. The subject product under investigation is a collision avoidance system incorporating a visual detection sensor. It uses cameras containing built-in artificial intelligence technologies that scan the driving scene ahead and uses algorithms to examine and detect other vehicles, pedestrians, cyclists, motorcyclists, lane-markings and speed limit signs that may be up to 75 meters within the vehicle’s path. This collision avoidance system imported by the applicant can be retrofitted to almost any type of vehicle including passenger cars, trucks and light or heavy vehicles.
5. The subject product imported by the applicant contains a speaker/vibrator mounted on the inside of the windshield behind the rear-view mirror for audio alerts as well as a display for visual alerts, mounted in the bottom corner of the windshield. The specific brand imported by the applicant is named Mobileye (pronounced “mobile eye”) and is imported from China and Israel.

6. Figures 1 and 2 below illustrates the subject product imported by the applicant and the assembled final product.

Figure 1: Illustration of the subject product	Figure 2: Illustration of the subject product
	
Source: DriveRisk, (2023)	Source: DriveRisk, (2023)

7. As motivation for the application, the applicant stated, *amongst others*, the following reasons:

- According to the Road Traffic Management Corporation (“RTMC”), South Africa has one of the worst road accident records in the world. The International Transport Forum report of 2019 points out that human factors are the main causes of road crashes. These include distraction, drunk-driving, speeding, reckless-driving and jaywalking;
- Driver cameras are specifically designed to identify common human factors that lead to accidents;
- There are currently no local manufacturers of the subject product or similar substitute products in the Southern African Customs Union (“SACU”) region. This means DriveRisk has no option but to import at a 15% *ad valorem* duty;
- Given that there is no local producer, the duty has an unnecessary cost-raising effect and DriveRisk is not able to offer these products at a competitive price;
- The use of such products should be encouraged, however, the customs duty currently in place has the opposite effect. The rebate is necessary to ensure that driver cameras are more accessible to fleet operators; and
- Should the application be approved, the duty relief will assist more fleet operators to adopt the technology, leading to safer drivers on our roads and assist the applicant in

its growth plans, to preserve existing jobs and enable the creation of additional jobs.

8. On 04 August 2023, the Commission published the application in the Government Gazette No. 49079 as Notice 1946 of 2023 for interested parties to comment, as follows:

**THE CREATION OF A CREATION OF A TEMPORARY REBATE PROVISION OF THE FULL CUSTOMS DUTY FOR THE IMPORTATION OF:**

*“Collision avoidance equipment for vehicles incorporating a visual detection sensor, classifiable under tariff subheading 8512.20”*

9. The current tariff structure of the products subject to this application is indicated in Table 1 below:

**Table 1: Tariff position for the subject products**

Tariff subheading	Description	Statistical Unit	Rate of Duty					
			General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
85.12	Electrical lighting or signalling equipment (excluding articles of heading 85.39), windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles:							
8512.20	- Other lighting or visual signalling equipment	u	15%	Free	15%	Free	15%	12%

Source: SARS, (2023)

10. The subject product currently attracts a 15% *ad valorem* duty when imported under General, EFTA region and MERCOSUR and a 12% *ad valorem* duty when imported under the AfCFTA. The product can be imported duty free under EU/UK and SADC agreements. The World Trade Organisation (“WTO”) bound rate for the subject products is 15% *ad valorem*.

**INDUSTRY AND MARKET**

11. The subject product falls within the electronics subsector of the economy. According to the IPAP (2018/19-2020/21), the South African electro-technical sector is largely dependent on imported content such as electronic components and specialised devices. The import-dependency is not unique to South Africa, since the global electro-technical sector is dominated by only a few countries, with long-established and very large companies.

12. Even though the sector is dominated by a few players and South Africa has lost a lot of its design and production capabilities, the country continues to attract and maintain investments in certain areas of production. The IPAP recognizes the need, and a real

possibility, to localise production of inputs where local capacity and capability exists.

13. Challenges facing this sub-sector of the economy include its complex sub-sectoral dynamics, making it difficult to consolidate and create a meaningful industry body that would allow for ease of engagement with government. This results in difficulty in advocating for new policy initiatives and aggregating data. Furthermore, the local cost of production for most electro-technical products renders the domestic market uncompetitive against cheap imports.
14. Opportunities were identified for suppliers of electronic components in the automotive value chain and in markets in the Eastern, Western, Northern and Central regions of the continent following the establishment of the African Continental Free Trade Area.
15. On an analysis of national import statistics, the investigation found that the SARS import statistics encompass several other products that were not subject to the investigation, and any analysis and conclusion based of these statistics would be misleading for the investigation.

#### **DOMESTIC MANUFACTURING ACTIVITY**

16. The investigation found that DotNetix (Pty) Ltd ("DotNetix") is a domestic Original Equipment Manufacturer (OEM) of mining and industrial collision avoidance systems, as well as collision avoidance equipment that are incorporated in vehicles. The local manufacturer manufactures collision avoidance equipment, namely Safeye and Nexus v4.
17. Similar to the imported product, the locally manufactured equivalent to the imported product consists of a visual detection system and built in AI that can detect and differentiates between pedestrians, mining and industrial machines to improve safety in mines and on the roads.
18. DotNetix is based in Centurion in Gauteng province and supplies collision avoidance equipment predominantly to the mining and industrial sectors as well as for automotive applications through its local distributor.
19. DotNetix employs 17 people in the design and manufacture of collision avoidance equipment for vehicles and the mining sector, and has made significant investments towards capital equipment, software and hardware used in the design and manufacture of

the collision avoidance equipment.

## **COMMENTS RECEIVED**

20. Comments in support of the application were received from the National Association of Automotive Components and Allied Manufacturers (“NAACAM”); naamsa|The Automotive Business Council (“naamsa”); and Botswana Trade Commission, citing amongst others:

- There are no known local manufacturers of the subject product within the SACU region and that the creation of the rebate provision could improve competitiveness in the industry;
- If supported, the wording of the rebate should be strengthened to avoid loop hole for duty circumvention on other locally manufactured products that are not subject to the investigation;
- The creation of the rebate provision should be time-bound and monitored, as the subject product might become more prevalent in OEM localisation plans during the transition period to New Energy Vehicles; and
- The creation of the rebate provision will mainly be for the aftermarket segment of the automotive sector, and will not necessarily impact the importation of the subject products intended for online fitment, as these would be imported under Chapter 98 of the Customs and Excise Act.

21. The Commission considered that the parties submitting comments were not aware of the existence of a domestic manufacturer of the subject products, at the time of submitting their inputs.



## **FINDINGS**

22. The Commission considered the application in light of the information at its disposal. In particular, the Commission considered the following factors:

- There currently exists a domestic manufacturer of collision avoidance equipment in the SACU region;
- The locally manufactured collision avoidance system incorporates a visual detection sensor and uses cameras containing built-in artificial intelligence technologies that scan the driving scene ahead to examine detect other vehicles, pedestrians and dangers within the vehicle's path, similar to the imported product;
- The locally manufactured product is a suitable substitute for end-users of the imported product;
- The existing duty serves to encourage and protect investment, employment and incomes in the industry manufacturing collision avoidance equipment for vehicles; and
- The creation of a rebate provision would erode protection afforded the domestic industry manufacturing of the subject product.

## **RECOMMENDATION**

23. The Commission recommended the rejection of the creation of a temporary rebate provision for the importation of collision avoidance equipment for vehicles incorporating a visual sensor, classifiable under tariff subheading 8512.20.