

REPORT NO. 742

CREATION OF A TEMPORARY REBATE PROVISION FOR THE IMPORTATION OF STAINLESS-STEEL TUBING, CLASSIFIABLE UNDER TARIFF SUBHEADING 7306.40, USED IN THE MANUFACTURE AND MAINTENANCE OF STATE-OF-THE-ART PROCESSING PLANTS FOR THE HYGIENIC AND LIQUID FOOD INDUSTRIES

The International Trade Administration Commission of South Africa herewith presents its Report No. 742: **Creation of a temporary rebate provision for the importation of stainless-steel tubing, classifiable under tariff subheading 7306.40, used in the manufacture and maintenance of state-of-the-art processing plants for the hygienic and liquid food industries**, with recommendations.



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**AYABONGA CAWE
CHIEF COMMISSIONER**

**PRETORIA
25/03/2025**

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA

REPORT NO. 742

**CREATION OF A TEMPORARY REBATE PROVISION FOR THE IMPORTATION OF
STAINLESS-STEEL TUBING, CLASSIFIABLE UNDER TARIFF SUBHEADING 7306.40,
USED IN THE MANUFACTURE AND MAINTENANCE OF STATE-OF-THE-ART
PROCESSING PLANTS FOR THE HYGIENIC AND LIQUID FOOD INDUSTRIES**

Synopsis

Guth South Africa (Pty) Ltd, (“Guth” or “the applicant”), applied for the creation of a rebate provision for the importation of stainless steel tubing, classifiable under tariff subheading 7306.40, used in the manufacture and maintenance of state-of-the-art processing plants for the hygienic and liquid food industries.

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

- The stringent sanitation standards in the hygienic and liquid food industries. The subject products are required to meet strict standards for material, surface treatment, dimensions, and tolerances in order to ensure quality for use in sanitary applications like dairy processing and liquid beverage operations;
- There are currently no known local manufacturers of the stainless steel tubing of the specifications required in the hygienic and liquid food industries. Stainless steel tubing manufactured in the Southern African Customs Union (“SACU”) market does not meet the precise specifications required in these industries;

- There are no prospects to manufacture the subject product at the right specifications in the SACU due to cost implications;
- The domestic industry faces competition from lower-priced imported end-products, creating challenges for local manufacturers of finished products;
- The creation of the proposed rebate provision will not negatively affect the domestic industry manufacturing stainless steel tubing.

The temporary rebate provision will be made available subject to a rebate permit issued at such times, in such quantities, and subject to such conditions as ITAC may allow. As such, guidelines, rules, and conditions have been developed to ensure the effective and efficient administration of the rebate provision with measurers to mitigate the risk of abuse or misuse and to minimise the risk of unintended consequences.

The Commission concluded that the creation of the proposed rebate provision would not harm the domestic industry manufacturing stainless steel tubes given that it does not manufacture stainless steel tubes as per the required hygienic specifications. This is particularly significant given that ensuring hygiene standards in the food and beverage industry is vital for the safeguarding of public health. There is, therefore, very little industrial policy rationale for the duty on the subject product.

The Commission recommended that a temporary rebate provision be created for the importation of stainless steel tubing, classifiable under tariff subheading 7306.40, used in the manufacture and maintenance of state-of-the-art processing plants for the hygienic and liquid food industries.

THE APPLICATION AND TARIFF POSITION

1. Guth South Africa (Pty) Ltd, (herein referred to as “Guth” or “the applicant”), applied for the creation of a rebate provision for the importation of stainless steel tubing, classifiable under tariff subheading 7306.40, used in the manufacture and maintenance of state-of-the-art processing plants for the hygienic and liquid food industries.
2. The applicant is an importer and a supplier of tubes for use in the hygienic and liquid food industries. It also offers a sales service for off-the-shelf items as per specialised

design, as well as offering services such as the manufacture of the state-of-the-art processing plants and the maintenance thereof.

3. The applicant offers a wide variety of products such as dairy processing, custom skid design, pigging systems, pipe fitting and tubing, pumping solutions, and valve systems, amongst others.
4. As motivation for the application, the applicant stated, *inter alia*, the following:
 - Guth is currently competing in the Southern African Customs Union (“SACU”) market with lower priced imported end products;
 - The creation of the rebate provision will assist the applicant to import input materials duty free, which would be essential in the manufacturing process of the final product;
 - Although stainless steel tubes are manufactured in the SACU market, they are not manufactured as per the required specifications; and
 - The customs duty charged during importation of the subject product has an unnecessary cost raising effect. Thus, SACU consumers are paying an unnecessarily higher price due to the existing duty.
5. The application was published in the Government Gazette No. 50971 of 19 July 2024, under Notice 2641 of 2024 for a period of four (4) weeks, for interested parties to comment, as follows:

The creation of a temporary rebate facility on:

“Tubes, pipes and hollow profiles, other, welded, of circular cross-section, of stainless steel, classifiable in tariff subheading 7306.40, for the hygienic and liquid food industry, 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”.

6. The current tariff structure for the products subject to this application 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
73.06	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel:							
7306.40	- Other, welded, of circular cross-section, of stainless steel	Kg	10%	Free	Free	Free	10%	6%

Source: SARS, (2024)

7. The South African Revenue Service ("SARS") provided the description for the temporary rebate provision on stainless steel tubing, as follows:

“Tubes, pipes and hollow profiles, other, welded, of circular cross-section, of stainless steel, classifiable in tariff subheading 7306.40, for the hygienic and liquid food industry, 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”.

8. Table 2 below shows the requested rebate structure for the subject product under Schedule 4, as follows:

Table 2: Requested rebate facility on the subject products

Rebate Item	Tariff Heading	Rebate Code	Description	Extent of Rebate
460.15	ARTICLES OF IRON OR STEEL AND ALUMINIUM			
460.15	7306.40	Tubes, pipes and hollow profiles, other, welded, of circular cross-section, of stainless steel, classifiable in tariff subheading 7306.40, for the hygienic and liquid food industry, 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.	Full duty

Source: SARS, Applicant (2023)

9. The subject products are stainless-steel tubes, classifiable under tariff subheading 7306.40, and are used as components in the manufacture of liquid and hygienic food processing machines.

10. The subject product comes in two forms, namely stainless-steel imperial tubing, and stainless-steel metric tubing.
11. Stainless steel imperial tubing, the seamless version of the product, is manufactured to ASTM A270 specifications in Grades 304L and 316L, with a 180 Grit Satin polish on the outside and polished to a mirror finish on the inside.
12. Stainless steel metric tubing, the welded seam version of the subject product, is manufactured to DIN EN 10357 specifications in Grade 304L & 316L, whereby the outside is polished to a 180 Grit Satin polish and the tubing inside is polished to an inside mirror finish. Both types undergo eddy current and hydrostatic testing, with random samples tested for Drift Expanding, Flattening, and Hardness.
13. According to the ASTM A270 and DIN EN 10357 stainless steel tubing product standards, tubes must meet strict standards for material, surface treatment, dimensions, and tolerances, which will ensure quality for use in sanitary applications like dairy processing and liquid beverage operations. Wall thickness tolerances are specific, and these products are used in different applications, with tube dimensions also differing based on the application requirements. The Grade 316-material grade is used to produce tubes that must perform in high corrosive environments, while the Grade 304 material is used to produce equivalent products, which could be used in less corrosive conditions.
14. In dairy processing, the stainless-steel hygienic tubing is used for conveying the different food grade products, in their various form during the process. Liquid beverage incorporates all hygienic applications, whereby any food grade liquid beverage needs to be conveyed hygienically during its process. This includes all service pipes and the cleaning associated with maintaining hygienic and food safety standards in the liquid beverage plant.
15. Figure 1 below shows a graphical illustration of the subject stainless-steel tubes, as well as the liquid and hygienic food processing machine which is regarded as the final product.

Figure 1: The subject product and the finished product



INDUSTRY AND MARKET

16. There are two known manufacturers of stainless steel tubes and pipes in the SACU region, namely Jaguar Stainless Steel (Pty) Ltd and Fischer Tubing SA (Pty) Ltd. However, neither of them manufacture tubes and pipes to the ASTM A270 or DIN EN 10357 specifications required for the food processing industry. There are no local manufacturers of the subject products that meet these required specifications.

17. The known importers of the subject products in the SACU region include, amongst others:

- Guth SA Pty Ltd;
- Foodspec Co. (Pty) Ltd;
- Natal Stainless Steel (Pty) Ltd;
- National Dairy Equipment (Pty) Ltd; and
- B C G Stainless Steel, amongst others.

COMMENTS RECEIVED

18. Support for the application was received from Fischer Tubing SA (Pty) Ltd and Jaguar Stainless Steel (Pty) Ltd, the two domestic manufacturers of stainless steel tubes and pipes, citing that while they manufacture certain stainless steel tubes and pipes, they

currently do not manufacture the subject product in the SACU region for the specification required in the food processing industry.

19. Support for the application was also received from National Dairy Equipment (Pty) Ltd, the leading manufacturer of liquid and hygienic food processing machines and leading importer of the subject product, citing that the rebate offers numerous benefits, including improved public health, economic relief for consumers, support for local businesses, and stronger supply chains.

20. In its submissions to the Commission, the Southern Africa Stainless Steel Development Association (SASSDA) confirmed that there is currently no South African manufacturer of stainless-steel tube for sanitary applications such as dairy, food, and beverage, as well as water treatment and processing that conforms to the international ASTM A270 or DIN EN 10357 specifications.

FINDINGS

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

- The stringent sanitation standards in the hygienic and liquid food industries. The subject products are required to meet strict standards for material, surface treatment, dimensions, and tolerances in order to ensure quality for use in sanitary applications like dairy processing and liquid beverage operations;
- There are currently no known local manufacturers of the stainless steel tubing of the specifications required in the hygienic and liquid food industries. Stainless steel tubing manufactured in the SACU market does not meet the precise specifications required in these industries;
- There are no prospects to manufacture the subject product at the right specifications in the SACU due to cost implications;
- The domestic industry faces competition from lower-priced imported end-products, creating challenges for local manufacturers of finished products;
- The creation of the proposed rebate provision will not negatively affect the domestic industry manufacturing stainless steel tubing.

22. The temporary rebate provision will be made available subject to a rebate permit issued at such times, in such quantities, and subject to such conditions as ITAC may allow. As such, guidelines, rules, and conditions have been developed to ensure the effective and efficient administration of the rebate provision with measurers to mitigate the risk of abuse or misuse and to minimise the risk of unintended consequences.
23. The Commission concluded that the creation of the proposed rebate provision would not harm the domestic industry manufacturing stainless steel tubes given that it does not manufacture stainless steel tubes as per the required hygienic specifications. This is particularly significant given that ensuring hygiene standards in the food and beverage industry is vital for the safeguarding of public health. There is, therefore, very little industrial policy rationale for the duty on the subject product.

RECOMMENDATION

24. In light of the foregoing, the Commission recommended that a temporary rebate provision be created for the importation of stainless steel tubing, classifiable under tariff subheading 7306.40, used in the manufacture and maintenance of state-of-the-art processing plants for the hygienic and liquid food industries, as follows:

“Tubes, pipes and hollow profiles, other, welded, of circular cross-section, of stainless steel, classifiable in tariff subheading 7306.40, for the hygienic and liquid food industry, 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”.