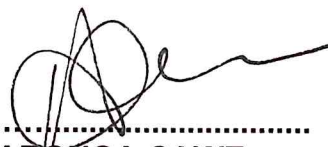


**REPORT NO. 725**

**REVIEW OF THE GENERAL RATE OF CUSTOMS DUTY ON CERTAIN  
ALUMINIUM PLATES, COILS, SHEETS, CAN STOCK, STRIPS AND  
FOIL, CLASSIFIABLE UNDER TARIFF HEADINGS 76.06 AND 76.07**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 725: Review of the general rate of customs duty on certain aluminium plates, coils, sheets, can stock, strips and foil, classifiable under tariff headings 76.06 and 76.07, with recommendations.**



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

PRETORIA

22 | 08 | 2024

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

**REPORT NO. 725**

**REVIEW OF THE GENERAL RATE OF CUSTOMS DUTY ON CERTAIN ALUMINIUM  
PLATES, COILS, SHEETS, CAN STOCK, STRIPS AND FOIL, CLASSIFIABLE UNDER  
TARIFF HEADINGS 76.06 AND 76.07**

**Synopsis**

On 24 February 2023, the International Trade Administration Commission (“ITAC” or the “Commission”) initiated a review of the general rate of customs duty applicable to aluminium rolled products, classifiable under tariff headings 76.06 and 76.07. The subject products under investigation are certain aluminium plates, coils, sheets, can stock, strips and foil and are collectively referred to as aluminium rolled products. They are used in a broad variety of downstream industries, including the automotive, marine, construction, general engineering, electronics, energy (solar energy), white goods and packaging industries.

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

- The continuation of the challenges facing the domestic industry during the period under review, including, high manufacturing costs relative to alternative substitutes; continuation of low-priced imports originating from Saudi Arabia and China; a relatively small domestic market; the effects of COVID-19 related lockdowns and alcohol bans; as well as a generally volatile global and domestic trading environment;
- The decline in total imports of aluminium rolled products in the two years following the tariff support (2021 to 2022);

- The increase in the domestic manufacturing industry's production volumes of the subject products in the two years following the tariff support. The observation that the increase in production volumes was largely attributable to increases in domestic sales volumes, which recorded a double digit increase in the period following the tariff support, bearing in mind that the increase is from a relatively low base owing to COVID-19 related disruption in 2020;
- The increase in capacity utilisation and employment levels of the domestic manufacturing industry in the period following the tariff support;
- The increase in profitability levels of the domestic manufacturing industry in the period following tariff support;
- The increasing use of rebate provisions to import the specifications of the subject products not manufactured locally, with approximately 55 per cent of aluminium rolled products being imported under rebate during the period under review;
- The potential abuse of the existing rebate provisions, in that importers make minor changes to their rolled products specification to ensure that their requirements fall outside the scope of Hulamin's capabilities in order to obtain an import permit, potentially weakening the effectiveness of the tariff support granted; and
- The delay in planned investment decisions by Hulamin owing to deteriorating trading and downstream conditions.

The Commission found that the overall trading conditions with regards to aluminium rolled products, both globally and domestically, remain very subdued, causing further strain to an already struggling domestic manufacturing industry.

The Commission also considered that the rebate provisions that were created following the implementation of customs duties on the subject products are currently serving their purpose to enable the downstream industry to access product grades which are not locally manufactured, albeit with some administrative challenges.

The Commission found no justification for an amendment in the current duty structure of 15% *ad valorem* on the subject products. Rather, the Commission concluded that any downward revision of the duty will likely lead to increased import competition, resulting in further disinvestments and more job losses in an industry already facing a number of challenges.

In light of the foregoing, the Commission recommended that the general rate of customs duty on aluminium rolled products, classifiable under tariff headings 76.06 and 76.07, be maintained at the current level of 15% *ad valorem*. The Commission further recommended that the existing rebate provisions pertaining to the importation of aluminium rolled products, classifiable under tariff heading 76.06 and 76.07, be reviewed with a view to improving the efficiencies in the administration of the provision, eliminating the unintended effects on downstream competition and strengthening the effectiveness of the tariff support. Lastly, the Commission recommended that the customs duty applicable to downstream aluminium products be reviewed with a view of offering additional support to downstream industries where policy space exists.

### **THE APPLICATION AND TARIFF POSITION**

1. The Commission initiated an investigation aimed at reviewing the general rate of customs duty applicable to aluminium rolled products, classifiable under tariff headings 76.06 and 76.07.
2. The review emanates from the Commission's recommendations contained in ITAC's Report No.622 of 2020, wherein the Commission supported an increase in the general rate of customs duty applicable to aluminium rolled products, from free of duty to 15% *ad valorem* and recommended that the proposed duty be reviewed after a period of at least one year, unless otherwise determined by the Commission, following its implementation, to monitor the performance of the domestic industry.
3. This followed an application submitted in 2019 by Hulamin Operations (Pty) Ltd ("Hulamin") for an increase in the general rate of customs duty on aluminium rolled products.

4. The products under investigation are certain aluminium plates, coils, sheets, can stock, strips and foil and are collectively referred to as aluminium rolled products. The products are classifiable under tariff headings 76.06 and 76.07.
- Can stock is classifiable under tariff subheadings 7606.12.90; 7606.91.90 and 7606.92.90. Can stock is aluminium rolled coil exceeding 0.2mm in width and is only used in the manufacture of aluminium cans and aluminium can lids;
  - Coils, sheets, strips and plates are classifiable under tariff subheadings 7606.11.17; 7606.11.90; 7606.12.90; 7606.91.90 and 7606.92.90. Coils, sheets, strips and plates are aluminium rolled products exceeding 0.2mm in width. The products are mainly used in the automotive industry, marine, construction, general engineering and electronics, solar energy and white goods industries;
  - Products that fall under tariff heading 76.07 are rolled products not exceeding 0.2 mm in thickness and are referred to as foil. Foil products are mainly used in packaging, building and construction, heat exchanger, automotive, general engineering, white goods, electrical and energy sectors.
5. The products are used in a broad variety of downstream industries, including the automotive, marine, construction, general engineering, electronics, energy (solar energy), white goods and packaging industries.
6. Hulamin is the sole mid-stream fabricator of aluminium rolled products in the SACU region. Hulamin processes primary aluminium from South 32 Hillside Smelter, into aluminium coils, plates, sheets and foil and makes them suitable for use by downstream manufacturers in the domestic and export markets. Its manufacturing facility for the subject products is located in the KwaZulu-Natal province (Pietermaritzburg) with sales offices in South Africa, Europe and the USA.
7. The Commission initiated the review of customs duty applicable to aluminium rolled products through publication in the Government Gazette No. 48104 of 24 February 2023 under Notice 1632 of 2023 for interested parties to comments, as follows:

***REVIEW OF THE GENERAL RATE OF CUSTOMS DUTY STRUCTURE APPLICABLE TO CERTAIN ALUMINIUM PLATES, COILS, SHEETS, CAN STOCK, STRIPS AND FOIL CLASSIFIABLE UNDER TARIFF HEADINGS 76.06 AND 76.07***

8. The current tariff structure of the products subject to this review 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
<b>76.06</b>	<b>Aluminium Plates, Sheets and Strip, of Thickness Exceeding 0,2 mm</b>							
<b>7606.1</b>	<b>- Rectangular (including square):</b>							
<b>7606.11</b>	<b>-- Of aluminium, not alloyed:</b>							
7606.11.07	-- Containing by mass, not more than 99,9 % of aluminium, laminated or coated on one or both sides with paint, enamel or plastics [ excluding non-slip flooring with patterns in (tread plate)]	Kg	15%	free	free	free	15%	free
7606.11.17	---- Containing by mass, not more than 99,9 % of aluminium, not coated or covered with paint, enamel or plastics [ excluding non-slip flooring with patterns in (tread plate) and those which are perforated]	Kg	15%	free	free	free	15%	free
7606.11.90	<b>---Other</b>	kg	15%	free	free	free	15%	free
<b>7606.12</b>	<b>-- Of aluminium alloys:</b>							
7606.12.07	---Coated or covered on one or both sides with paint, enamel or plastics of a thickness exceeding 0,25 mm and a width exceeding 100 mm [ excluding non-slip flooring with patterns in relief (tread plate) and those which are perforated]	kg	15%	free	free	free	15%	free
7606.12.17	---Not coated or covered with paint, enamel or plastics of a thickness exceeding 0,25 mm and a width exceeding 100 mm [excluding non-slip flooring with patterns in relief (tread plate), those which are perforated, and those containing by mass more than 0,5% of copper, 6% of magnesium, or 4% of silicon]	kg	15%	free	free	free	15%	free
7606.12.90	- - -Other	kg	15%	free	free	free	free	free
<b>7606.9</b>	<b>Other:</b>							
<b>7606.91</b>	<b>Of Aluminium, not alloyed:</b>							
7606.91.07	Containing, by mass, not more than 99,9 per cent of aluminium, coated or covered on one or both sides with paint, enamel or plastics [excluding non-slip flooring with patterns in relief (tread plate) and those which are perforated]	kg	15%	free	free	free	15%	free
7606.91.17	Containing, by mass, not more than 99,9 per cent of aluminium, not coated or covered with paint, enamel or plastics [excluding non-slip flooring with patterns in relief (tread plate) and those which are perforated]	kg	15%	free	free	free	15%	free
7606.91.90	Other							

<b>7606.92.07 Of aluminium alloys:</b>								
7606.92.07	Coated or covered on one or on both sides with paint, enamel or plastics, of a thickness exceeding 0,25 mm and a width exceeding 100 mm [excluding non-slip flooring with patterns in relief (tread plate) and those which are perforated]	kg	15%	free	free	free	15%	free
7606.92.17	Containing, by mass, not more than 99,9 per cent of aluminium, not coated or covered with paint, enamel or plastics [excluding non-slip flooring with patterns in relief (tread plate) and those which are perforated]	kg	15%	free	free	free	15%	free
7606.92.90	Other	kg	15%	free	free	free	15%	free
<b>76.07</b>								
<b>Aluminium Foil ( Whether or not printed, backed with paper, paperboard, plastics or similar backing materials) of a thickness ( excluding any backing) not exceeding 0,2 mm:</b>								
7607.1	-Not backed:	kg	15%	free	free	free	15%	free
7607.11	--Rolled but not further worked	kg	15%	free	free	free	15%	free
<b>7607.19 ---Other</b>								
7607.19.10	---Etched, of a width not exceeding 105 mm	kg	15%	free	free	free	free	free
7607.19.25	-- Other, self-adhesive, coated with glass microspheres	kg	15%	free	free	free	free	free
7607.19.90	---Other	kg	15%	free	free	free	15%	free
<b>7607.20 -Backed</b>								
7607.20.20	-- Unprinted, of thickness of 0,1 mm or more but not exceeding 0,15 mm and a width not exceeding 40mm,lacquered on one side only (excluding that laminated to paper or plastics and reinforced with glass or sisal fibre)	kg	15%	free	free	free	15%	free
7607.20.25	---Other, self-adhesive, coated with glass microspheres	kg	15%	free	free	free	15%	free
7607.20.90	-- -Other	kg	15%	free	free	free	15%	free

Source: SARS, (2023)

9. The subject products currently attract a general rate of ordinary customs duty of 15% *ad valorem*, a 15% *ad valorem* customs duty when imported from the Mercosur region and can be imported free of duty when imported from the European Union/United Kingdom (“EU/UK”), under the European Free Trade Association (“EFTA”) and from the Southern African Development Community (“SADC”) regions. The World Trade Organisation (“WTO”) bound rate for the subject product is 15% *ad valorem*.

10. Table 2 below shows the existing rebate provisions to cater for aluminium rolled products that are not manufactured in the SACU region. The rebate provisions are broad and cater for all known specifications that are not manufactured in the SACU region.

**Table 2: Existing rebate provision**

Rebate item	Tariff heading	Rebate code	Description	Extent of Rebate
460.15	76.06	01.04	Aluminium plates, sheets and strip of a thickness not exceeding 10 mm, coiled, covered on one or both sides with paint or enamel, in such quantities and at such times as the International Trade Administration Commission, may allow by specific permit	Full Duty
460.15	7606.11	01.06	Aluminium plates, sheets or strips, of a thickness exceeding 0,2 mm, rectangular (including square), not alloyed, with a width not exceeding 200 mm or those with a width exceeding 1 700 mm, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the goods are not available in the SACU market	Full Duty
460.15	7606.12.07	01.08	Aluminium plates, sheets or strips, of a thickness exceeding 0,25 mm but not exceeding 0,5 mm or with a thickness exceeding 1,2 mm, rectangular (including square), alloyed, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the goods are not available in the SACU market	Full Duty
460.15	7606.12.17	01.08	Aluminium plates, sheets or strips, of a thickness exceeding 0,2 mm, rectangular (including square), alloyed, not coated or covered with paint, enamel or plastic [excluding non-slip flooring with patterns in relief (tread plate) those which are perforated and those containing by mass more than 0,5% of copper, 6% of magnesium or 4% of silicon], at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the goods are not available in the SACU market	Full Duty
460.15	7606.12.90	01.08	Aluminium plates, sheets or strips, rectangular (including square), alloyed, those with a thickness greater than 60 mm, those with a width exceeding 2000 mm, those that are surface treated with titanium and/or zirconium, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the goods are not available in the SACU market	Full Duty
460.15	7606.9	01.05	Other, of aluminium, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the goods are not available in the SACU market	Full Duty
460.15	7607.11	01.06	Aluminium foil, not backed, of a thickness not exceeding 0,2 mm, of a width not exceeding 200 mm or of a width exceeding 1 550 mm, rolled but not further worked, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the goods are not available in the SACU market	Full Duty
460.15	7607.19	01.06	Other aluminium foil (whether or not printed), not backed, of a thickness not exceeding 0,2 mm, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the goods are not available in the SACU market	Full Duty
460.15	7607.20	01.06	Aluminium foil, backed (whether or not printed), of a thickness (excluding the backing) not exceeding 0,2 mm, at such times, in such quantities and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the goods are not available in the SACU market	Full Duty

Source: SARS,(2023)

11. The provisions are subject to an ITAC permit issued in terms of guidelines, rules, and conditions. In order to qualify for a rebate permit, applicants are, amongst others, required to provide written confirmation from Hulamin in a specified form, which indicates that the specifications they intend to import are not manufactured in the SACU region.

## **INDUSTRY AND MARKET**

12. The main global producers of aluminium rolled products include Hindalco Industries Limited (India), Alcoa Corporation (US), Constellium (The Netherlands), Norsk Hydro ASA (Norway), Aluminium Corporation of China (China), Arconic (US), Novelis (Germany), NALCO (India), UACJ Corporation (Japan), Rusal (Russia), Ma'aden (Saudi Arabia) and JW Aluminum (US).

13. Hulamin is the only known manufacturer of aluminium rolled products in the SACU region. The company predominantly produces aluminium rolled products and is focused on specialised products and end-use markets, including foil, can sheet, engineering plate and automotive products. In addition to supplying the South African market, Hulamin supplies a diverse range of international markets in North and South America, Europe, and the Middle and Far East.

14. A significant increase in demand for aluminium flat-rolled products was brought about by the decision to switch from steel bodied to aluminium bodied beverage cans in South Africa. Additionally, aluminium consumption in the manufacture of automotive components has increased and there are increasing opportunities arising from the need for improvements in light weighting, energy consumption and carbon footprint reductions.

15. On challenges in the manufacture of the subject products, Hulamin cited the following as factors that affected performance during the 2019-2022 period: high manufacturing costs relative to alternative substitutes; continuation of subsidised imports originating from Saudi Arabia and China; a relatively small domestic market; riots in the KwaZulu-Natal and Gauteng regions; COVID-19 related lockdowns and alcohol bans during 2020 and 2021; the Durban Transnet port experiencing a cybersecurity threat, the recent flooding in the KZN region; as well as a volatile domestic and global trading environment.

16. Additionally, Hulamin indicated that it continues to experience strain in the market for foil, where low-priced imports remain relatively high and there is an increase in the importation of final products. As a result, Hulamin is evaluating exiting from the production of some foil products and retaining higher value-added products.

17. Table 3 below lists some of the known importers and users of aluminium rolled products according to product streams:

**Table 3: Identified importers of the subject products**

<b>Can body stock</b>	<b>Sheet, strips and plates</b>	<b>Foil</b>
<ul style="list-style-type: none"> <li>• GZ Industries Ltd t/a GZicans.</li> <li>• Indabingi Sithole (Pty) Ltd. t/a Gayatri Cans (Pty) Ltd.</li> <li>• Kingsley Beverage (Pty) Ltd</li> <li>• Nampak Bevcan, a division of Nampak Products Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Aerosud Aviation (Pty) Ltd;</li> <li>• Defy Appliances (Pty) Ltd;</li> <li>• Euro Steel Services (Pty) Ltd;</li> <li>• GRW Engineering (Pty) Ltd</li> <li>• Joyoung South Africa</li> <li>• MA Automotive Tool and Die (Pty) Ltd;</li> <li>• Smiths Manufacturing (Pty) Ltd ;</li> <li>• Thermo King South Africa (Pty) Ltd</li> <li>• Watertite Guttering (Pty) Ltd;</li> </ul>	<ul style="list-style-type: none"> <li>• Abbott Laboratories SA (Pty) Ltd.</li> <li>• Afripack Consumer Flexibles (Pty) Ltd.</li> <li>• Air Chefs SOC Ltd.</li> <li>• Pick 'n Pay Retailers (Pty) Ltd</li> <li>• Proredo Beleggings Pty Ltd</li> <li>• Smith's Manufacturing (Pty) Ltd.</li> <li>• TetraPak (Pty) Ltd and.</li> <li>• WYDA Packaging (Pty) Ltd.</li> </ul>

Source: ITAC, (2023) compiled using SARS BOE

18. The known importers and users of the subject products consists of stockists, as well manufacturers of goods destined for the food and beverage industries, pharmaceuticals, automotive components, construction and for household applications, amongst others.

19. Domestic users of aluminium rolled products indicated that factors affecting their production and in turn, their consumption of aluminium rolled products, included unstable power supply; lack of on-time delivery by Hulamin; sharp increase in the price of aluminium; import competition of the end-product; and the unavailability of wider specifications of aluminium rolled products which in turn affects their production efficiencies.

20. In the two years following the tariff support, average imports of aluminium rolled products declined by 9 per cent when compared to the two years prior the implementation of tariff support.

21. Imports originating from Europe declined from 26 per cent of total imports in the two years prior tariff support to 21 per cent of total imports in the two years following tariff support. In contrast, imports originating from Asia increased from 73 per cent of total imports in the two years prior tariff support to 78 per cent of total imports in the two years following tariff support.
22. In terms of volume changes, imports volumes originating from Europe declined by 25 per cent in the two years following tariff support while import volumes originating from Asia declined by 2 per cent over the same period.
23. An average of 55 per cent of imports were imported under rebate. While suitable substitutes may be available in the SACU region, it is not clear what portion of imports under rebate consists of products that are clearly not manufactured in the SACU region.
24. One of the main reasons for the large usage of rebates, according to Hulamin, is that importers deliberately make minor changes to their rolled products specification to ensure that their requirements fall outside the scope of Hulamin's capabilities in order to obtain a rebate permit. This has also come to light in a number of instances during the Commission's adjudication of rebate permit applications. It should, however, be noted that importers deny that Hulamin's substitutes are suitable for use in the manufacture of their end products, often citing efficiency losses.
25. In certain industries such as the can making industry, the cookware manufacturing industry and the gutter manufacturing industry, there has been several instances where manufacturers insist on getting rebate permits for the importation of certain material, often arguing that the locally produced alternative either results in inefficiencies in their production processes or doesn't comply to certain guarantee offerings of a similar imported product. This happened even in cases where it can only require minor changes to the tooling with minimal yield losses. The result of this is that some downstream users buy locally while others insist on importing, under rebate, the same material or very similar material for the same applications.
26. While the issuing of rebate permits under these circumstances may be undesirable, the prevailing conditions of the rebate provisions are in such a manner that somehow compels the Commission to issue such rebate permits, as the only existing test is that the specification is currently not manufactured in the SACU region.

27. The Commission understands that these inconsistencies in providing approvals have the potential to negatively affect or distort competition dynamics in various downstream industries. Also, these unintended consequences have the effect of undermining the effectiveness of the tariff support itself and the efficiency with which the rebate provisions have to be administered.
28. Hulamin's production volumes of aluminium rolled products increased during the two-year period following the tariff support. The increase in production volumes is largely attributable to increases in domestic sales volumes, which recorded significant growth in the period following tariff support. However, it should be borne in mind that the growth is from a relatively low base owing to COVID-19 related disruptions in the year 2020.
29. On domestic sales, Hulamin regained competitiveness in the market for can products and foil and experienced sizeable growth in both segments. Production and sales of sheets, plates and coil also increased, albeit by a lower rate, in the two-year period following tariff support.
30. The improvement in both production and sales figures resulted in an improvement in Hulamin's capacity utilisation over the period following the tariff support, also resulting in an improvement in employment numbers.
31. Overall, the tariff support implemented in December 2020 resulted in increased local demand for domestically manufactured aluminium rolled products. This afforded Hulamin an ability to pass through certain input cost increases to customers and enabled the company's financial performance to improve during 2021 and 2022. Additionally, the tariff support enabled Hulamin to enter high-value markets where it was previously uncompetitive on price considerations.

### **COMPETITIVE POSITION**

32. The pricing of aluminium rolled products consists of three portions, namely the base metal, conversion costs and geographic premium. These collectively form the price of the product.
33. Aluminium is a freely traded commodity on the London Metal Exchange ("LME"). As a result, the base metal portion of aluminium rolled products is a reflection of the average dollar price of the LME paid by the mill and passed through to the buyer of the product.

34. The conversion costs are the compensation to the mill for converting primary aluminium to aluminium sheets, plates, coil and/or foil. The costs are levied based on the alloy, gauge, length, width and coating of the material bought. The conversion costs cater for the mill's variable costs, fixed costs, selling and administration cost and the mill's profits.
35. According to the information at the Commission's disposal, the average base metal costs increased significantly in the two-year period following tariff support, recording an increase of 54 per cent in. The base metal costs constituted an average of 68 per cent of the selling list price of aluminium rolled products following tariff support. The base metal costs are outside of Hulamin's control, and their increase was due to a sharp rise in the LME price, albeit partly mitigated by a strengthening of the Rand-Dollar exchange rate.
36. The conversion costs, on the other hand, declined by an average of 9 per cent in the period following the tariff support and constituted an average of 34 per cent of list price. The reductions in conversion costs were as a result of reductions in labour costs, other materials and administrative expenses. While these are within Hulamin's control, their reduction was not sufficient to offset the increase in base metal costs.
37. As a result of the above two movements in costs, the average list price and ex-factory selling of all locally produced aluminium rolled products increased in the two-year period following tariff support, mainly due to adjustments owing to input-pricing pressures.

### **COMMENTS RECEIVED**

38. Comments objecting to the possible continuation of the duty on the subject products were received from, amongst others, the following interested parties: Coca-Cola Beverages South Africa (CCBSA); African Metals Corporation (Pty) Ltd; Graytex Metals (Pty) Ltd; GRW Engineering (Pty) Ltd; GZ Industries SA (Pty) Ltd; Hedler & Hart (Pty) Ltd; Indabingi Sithole (Pty) Ltd; Mahle Behr South Africa (Pty) Ltd; Metal and Tool Trade (PTY) LTD (MTT); Wyda Packaging (Pty) Ltd; **naamsa**; the Automotive Business Council; Nampak Bevcan, a Division of Nampak (Pty) Ltd; and Printing SA.

39. The main reasons for the objections centred around the following factors:

- The duties only serve to maintain the monopoly of Hulamin within the market and detract from any incentive to invest;
- The duties have incentivised Hulamin to engage in exploitative pricing conduct, with the consequence being that its prices have increased materially over the past two years;
- Hulamin is not in a position to supply all the requirements of inputs required by these downstream beneficiators, such as continuous cast (CC) household foil. Downstream companies are forced to import their input requirements;
- Hulamin exports approximately 70% of its production, meaning that the domestic market is less significant to them and they require no import protection on it;
- Hulamin's lead times for delivery are erratic and excessive while quality problems persist; and
- Because of the increase in customs duties on the subject product, the downstream manufacturing industry has been forced to pass on the increased costs to final consumers.

40. The Commission considered all the objections from interested parties. The Commission noted that the duties on the subject products were implemented in December 2020, an abnormal year that was characterised by a series of restrictions on economic activity within the country following the advent of the Covid-19 global pandemic. For a significant part of the 2021 year, the South African economy was still recovering from some of the negative effects of these restrictions and, therefore, some of the concerns raised by interested parties in their submissions have to be viewed with this in mind.

41. With regards to the specifications of aluminium products not manufactured by Hulamin, it is the Commission's view that the Schedule 4 rebate provisions that were created specifically for this purpose have been adequate and have assisted the downstream industry in importing those product specifications that are not manufactured domestically.

42. With regards to the interested parties' concerns relating to pricing and inadequate investments by Hulamin, it is the Commission's view that these should be seen in the context of the broad commitments that Hulamin submitted as part of its reciprocal commitments. Reciprocal commitments, by their nature, are made for a period of three years following the implementation of the tariff support. A meaningful assessment of whether or not Hulamin has met its commitments in this regard will only be possible after three years, particularly given the major disruptions in trading conditions over the past few years.

43. With regards to the ability of the domestic industry manufacturing aluminium rolled products to compete with imports, it is the Commission's view that the global shortage of shipping containers provided some artificial protection to the domestic industry, particularly in 2020 and 2021, severely limiting imports into the country. This means that whilst imports might have appeared to be slowing down in 2021, this should not be viewed solely as an impact of the duty. The period under review is a peculiar one and whether or not the duty has had any impact on the ability of the domestic industry to compete with imports will only be explicitly clear in the next few years.

## **FINDINGS**

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

- The continuation of the challenges facing the domestic industry during the period under review, including, high manufacturing costs relative to alternative substitutes; continuation of low-priced imports originating largely from Saudi Arabia and China; a relatively small domestic market; the effects of COVID-19 related lockdowns and alcohol bans; as well as a generally volatile global and domestic trading environment;
- The decline in total imports of aluminium rolled products in the two years following the tariff support (2021 to 2022);
- The increase in the domestic manufacturing industry's production volumes of the subject products in the two years following the tariff support. The observation that the increase in production volumes was largely attributable to increases in

domestic sales volumes, which recorded a double digit increase in the period following the tariff support, bearing in mind that the increase is from a relatively low base owing to COVID-19 related disruption in 2020;

- The increase in capacity utilisation and employment levels of the domestic manufacturing industry in the period following the tariff support;
- The increase in profitability levels of the domestic manufacturing industry in the period following tariff support;
- The increasing use of rebate provisions to import the specifications of the subject products not manufactured locally, with approximately 55 per cent of aluminium rolled products being imported under rebate during the period under review;
- The potential abuse of the existing rebate provisions, in that importers make minor changes to their rolled products specification to ensure that their requirements fall outside the scope of Hulamin's capabilities in order to obtain an import permit, potentially weakening the effectiveness of the tariff support granted; and
- The delay in planned investment decisions by Hulamin owing to deteriorating trading and downstream conditions.

45. The Commission found that the overall trading conditions with regards to aluminium rolled products, both globally and domestically, remain very subdued, causing further strain to an already struggling domestic manufacturing industry.

46. The Commission also considered that the rebate provisions that were created following the implementation of customs duties on the subject products are currently serving their purpose to enable the downstream industry to access product grades which are not locally manufactured, albeit with some administrative challenges.

47. The Commission found no justification for an amendment in the current duty structure of 15% *ad valorem* on the subject products. Rather, the Commission concluded that any downward revision of the duty will likely lead to increased import competition, resulting in further disinvestments and more job losses in an industry already facing a number of challenges.

## **RECOMMENDATION**

48. In light of the foregoing, the Commission recommended that the general rate of customs duty on aluminium rolled products, classifiable under tariff headings 76.06 and 76.07, be maintained at the current level of 15% ad valorem. The Commission further recommended that the existing rebate provisions pertaining to the importation of aluminium rolled products, classifiable under tariff heading 76.06 and 76.07, be reviewed with a view to improving the efficiencies in the administration of the provisions, eliminating the unintended effects on downstream competition and strengthening the effectiveness of the tariff support. Lastly, the Commission recommended that the customs duty applicable to downstream aluminium products be reviewed with a view of offering additional support to downstream industries where policy space exists.