
GENERAL NOTICES • ALGEMENE KENNISGEWINGS

DEPARTMENT OF TRADE AND INDUSTRY

NOTICE 568 OF 2019

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

PROPOSED EXPORT DUTY ON FERROUS AND NON-FERROUS WASTE AND SCRAP

INITIATED BY:

International Trade Administration Commission of South Africa
Private Bag X 753
Pretoria
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1. The Minister of Trade and Industry has directed the International Trade Administration Commission of South Africa ("ITAC"), in terms of section 18 of the International Trade Administration Act, 2002 (Act No. 71 of 2002) ("the Act"), to investigate and advise him whether it would be appropriate to replace the existing Price Preference System ("PPS") regulating the exportation of ferrous and non-ferrous waste and scrap metal ("Scrap Metal") with an export duty on Scrap Metal.

BACKGROUND

2. On 10 May 2013, the then Minister of Economic Development issued a Trade Policy Directive ("the Directive"), in terms of Section 5 of the Act, for ITAC to regulate the exportation of Scrap Metal through the introduction of the PPS. The PPS provided that ITAC would not authorise the exportation of Scrap Metal unless it had first been offered for sale to the domestic consuming industry of Scrap Metal for a period and at a price discount or other formula determined by ITAC.
3. The PPS was introduced in September 2013 for an initial period of five years, which period ended on 30 September 2018. The Minister of Economic Development extended the Directive, and thereby the PPS, for a period of 9 months, from 1 October 2018 to 30 June 2019 (Government Gazette No. 41924, Notice No. R. 576, dated 21 September 2018).

4. During his budget speech on 20 February 2019, the Minister of Finance stated that the National Treasury, the Department of Trade and Industry and the Department of Economic Development would work together to explore the introduction of an export duty on the exportation of Scrap Metal to replace the PPS.
5. By notice, the Minister of Economic Development stated he was considering extending the Directive on the PPS for a period of 9 months, until March 2020, to enable the National Treasury, the Department of Trade and Industry and the Department of Economic Development to consider the introduction of an export duty on Scrap Metal (Government Gazette No. 42436, Notice No. R. 257, dated 2 May 2019).
6. Following consideration of the comments received on the proposed extension, the Directive, and concomitantly the PPS, was extended for an additional period of 9 months, until 31 March 2020 (Government Gazette No. 42485, Notice No. R. 285, dated 24 May 2019).

EXPORT DUTY

7. The local Scrap Metal processing industry has indicated that, despite the existence of the PPS, the lack of affordable, quality Scrap Metal remains a challenge.
8. To provide more effective support to foundries and mini-mills engaged in the processing of Scrap Metal, the imposition of export duties on Scrap Metal is being considered to replace the existing PPS.
9. The specific export duties being considered on certain categories of Scrap Metal are as follows:

Table 1

Scrap Metal category	Specific duty (R/tonne)	Equivalent percentage duty (<i>ad valorem</i>)
Ferrous (including stainless steel)	R 1 000	20%
Aluminium	R 3 000	15%
Red metals	R 8 426	10%
Other	R 1 000	20%

10. As indicated in Table 1 above, ferrous (including stainless steel), aluminium, red metals and other waste and scrap metals would be subject to the specific duty indicated in the second column. The specific duty is based on the average value of exports for each category of Scrap Metal for the last 3 years. The third column of Table 1 indicates the equivalent *ad valorem* duty of the proposed specific duty.
11. The "other" category in Table 1 represents a basket category of Scrap Metal that would be subject to a specific export duty of R1 000 per tonne. The only Scrap Metal that is currently being considered to be subject to the duty under the "other" category at the time of the introduction of an export duty is lead. However, the duty under this category could be extended to other types of Scrap Metal if the need for such a duty has been determined based on an investigation conducted by ITAC.
12. The export duties on Scrap Metal proposed in Table 1 would apply to exports to all countries except those countries benefitting from exemptions under trade agreements to which South Africa is a party. Under the SADC-EU Economic Partnership Agreement ("EPA"), an export duty on goods destined for EU EPA Member States may be applied only for a limited period of years, with a pre-determined level of exports being exempted from an export duty and exports above this exemption level subject to a maximum export duty of 10 per cent *ad valorem*. Because the Protocol on Trade in the Southern African Development Community ("SADC Trade Protocol") requires that such preferential treatment be extended to SADC Trade Protocol Member States, the same exemption and duty would apply to exports of Scrap Metal to such countries.
13. Interested parties are hereby invited to submit written comments on the proposed export duty on Scrap Metal as outlined above. All comments should be directed to the ITAC officials indicated below.

ENQUIRIES:

Kindly submit the requested information to the following officials: Mr Dumisani Mbambo, e-mail: dmbambo@itac.org.za, Tel: (012) 394 3743; Ms Lufuno Maliaga, e-mail: lmaliaga@itac.org.za, Tel: (012) 394 3835; Mr Njabulo Mahlalela, e-mail: nmahlalela@itac.org.za, Tel: (012) 394 3784; Mr Pfarelo Phaswana, e-mail: pphaswana@itac.org.za, Tel: (012) 394 3628; and Mr Tshepiso Sejamoholo, e-mail: tsejamoholo@itac.org.za, Tel: (012) 394 1605.

PUBLICATION PERIOD:

Written submissions must be received within **four (4) weeks** of the date of this notice, which is on or before **15 November 2019**.