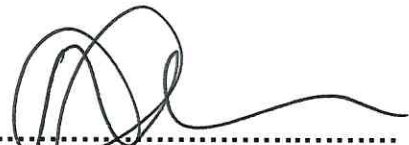


REPORT NO. 760

Increase in the rate of customs duty on tubes, pipes and hoses of polymers of ethylene, seamless, without fittings, multi-layered, having an intermediate layer of aluminium and an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.20 and tubes, pipes and hoses of polymers of ethylene, seamless, with fittings, multi-layered, having an intermediate layer of aluminium and with an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.90, from 15% to 20% *ad valorem duty*, by the creation of separate 8-digit tariff subheadings.

The International Trade Administration Commission of South Africa (ITAC) herewith presents its Report No. 760, Increase in the rate of customs duty on tubes, pipes and hoses of polymers of ethylene, seamless, without fittings, multi-layered, having an intermediate layer of aluminium and an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.20 and tubes, pipes and hoses of polymers of ethylene, seamless, with fittings, multi-layered, having an intermediate layer of aluminium and with an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.90, from 15% to 20% *ad valorem duty*, by the creation of separate 8-digit tariff subheadings.



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Ayabonga Cawe

CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 760

Increase in the rate of customs duty on tubes, pipes and hoses of polymers of ethylene, seamless, without fittings, multi-layered, having an intermediate layer of aluminium and an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.20 and tubes, pipes and hoses of polymers of ethylene, seamless, with fittings, multi-layered, having an intermediate layer of aluminium and with an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.90, from 15% to 20% *ad valorem duty*, by the creation of separate 8-digit tariff subheadings.

Synopsis

The International Trade Administration Commission of South Africa (ITAC or the Commission) considered an application by Riifo Southern Africa (Pty) Ltd (Riifo or the Applicant), for an increase in the rate of customs duty on tubes, pipes and hoses of polymers of ethylene, seamless, without fittings, multi-layered, having an intermediate layer of aluminium and an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.20 and tubes, pipes and hoses of polymers of ethylene, seamless, with fittings, multi-layered, having an intermediate layer of aluminium and with an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.90, from 15% to 20% *ad valorem duty*, by the creation of separate 8-digit tariff subheadings.

During its deliberations and in arriving at its recommendation, the Commission considered the information at its disposal, including comments received during the investigation period.

The Commission found that:

- Riifo is the only known domestic manufacturer of the subject product within the Southern African Customs Union (SACU).
- Domestic production volumes and sales followed a similar upward trend, increasing over the period of investigation. However, capacity utilisation remained low, indicating significant underutilisation of existing production capacity.
- The total cost of production increased over the period of the investigation. Direct variable costs, which constitute the largest share of the Applicant's production expenses, declined between 2023 and 2024 but are projected to increase slightly in 2025.
- In terms of profitability, the Applicant has been operating at a loss since entering the market.
- Although the Applicant currently manufactures pipes without fittings, both pipes under tariff subheadings 3917.39.20 (without fittings) and 3917.39.90 (with fittings) were included in the scope of the investigation. These products differ only in the presence of fittings, with the underlying product remaining the pipe. Therefore, any difference in duty rates between these subheadings may create unintended incentives for potential duty circumvention.
- During the period of investigation, the Applicant faced a price disadvantage compared with similar imported products.
- The Effective Rate of Protection (ERP) analysis indicated that increasing the duty to 20% would raise the ERP, thereby enhancing the protection of domestic value addition.

In light of the foregoing, the Commission decided to recommend an increase in the rate of customs duty from 15% to 20% *ad valorem duty* on:

- Tubes, pipes and hoses of polymers of ethylene, seamless, without fittings, multi-layered, having an intermediate layer of aluminium and an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.20 by the creation of separate 8-digit tariff subheading. This was owing, amongst other things, to the fact that the Applicant experienced price disadvantages against similar imported products, capacity underutilization and net losses.

- Tubes, pipes and hoses of polymers of ethylene, seamless, with fittings, multi-layered, having an intermediate layer of aluminium and with an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.90, by the creation of separate 8-digit tariff subheading. This was owing to the fact that both pipes under tariff subheadings 3917.39.20 (without fittings) and 3917.39.90 (with fittings) are essentially the same, differing only in the presence of fittings, with the underlying product remaining the pipe. Therefore, any difference in duty rates between these subheadings may create unintended incentives for potential duty circumvention.

Furthermore, it is proposed that the duty structure be reviewed after three years from the date of implementation, or such other period as decided by the Commission, to determine its impact of the customs duty increase on the industry value chain.

1. THE APPLICATION AND TARIFF POSITION

- 1.1. The International Trade Administration Commission of South Africa (ITAC or the Commission) received an application from Riifo Southern Africa (Pty) Ltd, (hereinafter referred to as Riifo or the Applicant), for an increase in the rate of duty on tubes, pipes and hoses of polymers of ethylene, seamless, without fittings, multi-layered, having an intermediate layer of aluminium and a diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.20, as well as tubes, pipes and hoses of polymers of ethylene, seamless, with fittings, multi-layered, having an intermediate layer of aluminium and with an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.90, from 15% to 20% *ad valorem duty*, by the creation separate 8-digit tariff subheadings.
- 1.2. The Applicant is based in Modderfontein, Gauteng, and specializes in the manufacturing of PEX-AL-PEX multilayer pipes. Additionally, it has plans to produce pan connectors and assemble a range of braided connectors, compression fittings, ball and stop valves in South Africa.
- 1.3. As motivation for the application, the Applicant submitted, *inter alia*, that:

- a) “Riifo has invested in establishing a local manufacturing facility for multilayer pipes in South Africa, capable of manufacturing products with an outside diameter up to 32mm, in Modderfontein. The product was previously only imported into SACU. The plant, which began production in July 2023, aims to reduce reliance on imports and lower transportation costs for local customers.
- b) However, large volumes of low-priced imports are directly competing with Riifo’s locally produced pipes, threatening the viability of the new investment. To ensure the plant operates at economically sustainable levels, recovers overhead costs, and continues creating jobs, an increase in customs duty is necessary.

1.4. The current tariff structure for the subject product is as shown in **Table 1** below:

Table 1: Tariff position for the subject product

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty					
				General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
39.17		Tubes, pipes and hoses, and fittings therefor (for example, joints, elbows, flanges), of plastics:							
	3917.3	Other tubes, pipes and hoses:							
	3917.39	Other:							
	3917.39.20	Of polymers of ethylene, seamless, without fittings	kg	15%	free	free	free	15%	15%
	3917.39.90	Other	kg	15%	free	free	free	15%	15%

Source: SARS

1.5. The current tariff structure of the subject product is currently classifiable under tariff subheading 3917.39.20 and 3917.39.90, and attracts a 15% *ad valorem duty* on imports from General, MERCOSUR and the African Continental Free Trade Agreement (AfCFTA) and free of duty from countries under the European Union/United Kingdom (EU/UK), European Free Trade Association (EFTA) and the Southern African Development Community (SADC) columns. The applicable World Trade Organisation (WTO) bound rate is 20% *ad valorem duty*.

1.6. The Applicant’s requested tariff position is provided in **Table 2** below:

Table 2: Requested tariff position

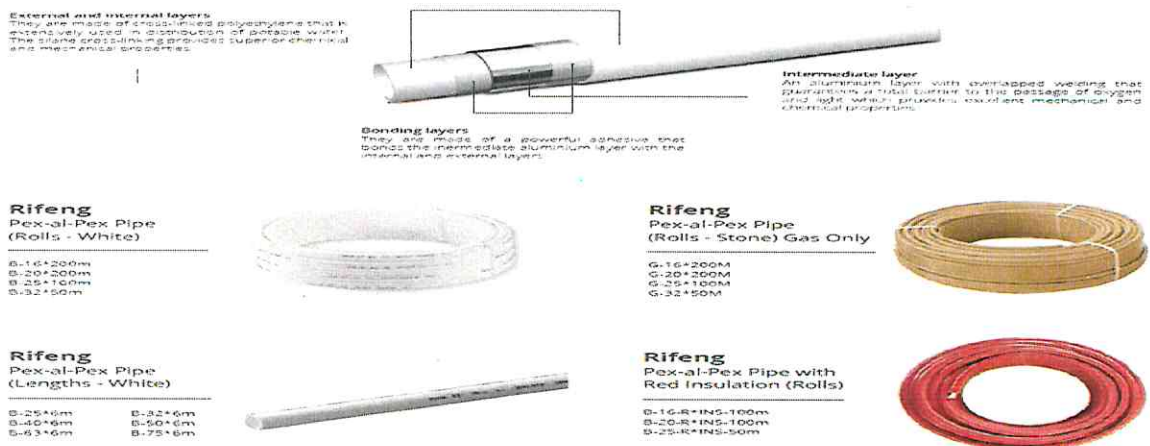
Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty					
				General	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
39.17		Tubes, pipes and hoses, and fittings therefor (for example, joints, elbows, flanges), of plastics:							
	3917.3	Other tubes, pipes and hoses:							
	3917.39	Other:							
	3917.39.20	Of polymers of ethylene, seamless, without fittings	kg	15%	free	free	free	15%	15%
	3917.39.XX	Tubes, pipes and hoses of polymers of ethylene, seamless, without fittings , multi-layered, having an intermediate layer of aluminium and with an outside diameter not exceeding 32mm	kg	20%	free	free	free	20%	20%
	3917.39.XX	Tubes, pipes and hoses of polymers of ethylene, seamless, with fittings , multi-layered, having an intermediate layer of aluminium and with an outside diameter not exceeding 32mm	kg	20%	free	free	free	20%	20%

Source: SARS

2. INDUSTRY, MARKET AND COMPETITIVE POSITION

- 2.1. The subject product is a flexible multilayer PEX-AL-PEX pipe, consisting of polyethylene/aluminium/cross-linked polyethylene layers, with a welded aluminium layer bonded to both the inner and outer plastic layers using adhesive. The pipe has an outside diameter not exceeding 32 mm.
- 2.2. The pipes' versatility makes them suitable for a wide range of applications, from residential and commercial plumbing such as potable water supply, gas distribution, industrial process lines and underfloor heating systems.

Figure 1: Image of the subject product



Source: Applicant

- 2.3. The global market for plastic tubes, pipes, hoses, and fittings is projected to grow steadily, reaching approximately 56 million tons by 2035. This growth is driven by rising demand in the construction, agriculture, and mining sectors. Aluminium-intermediate variants, such as PEX-AL-PEX, account for nearly 45% of the global multilayer composite pipe market.
- 2.4. In Africa, consumption of plastic pipes reached about 4.6 million tonnes in 2024 and is expected to grow to 5.6 million tonnes by 2035, supported by infrastructure development and water management projects.
- 2.5. Within the Southern African Customs Union (SACU), Riifo is the only known domestic manufacturer of the subject product. The company commenced operations in July 2023 to produce multilayer composite pipes ranging from 15 mm to 32 mm in diameter.
- 2.6. Import statistics for the subject product are captured under broad tariff subheadings 3917.39.20 and 3917.39.90, which also include other products not subject to this investigation. These imports show a stable yet elevated trend. Although the increase in import volumes may not be directly attributable to the subject product, it serves as an indicator of the overall trajectory of imports under these tariff subheadings.
- 2.7. China is the dominant supplier of pipes imported under tariff subheadings 3917.39.20 and 3917.39.90. Overall, imports of pipes with fittings remained relatively stable, whereas imports of pipes without fittings exhibited greater fluctuations and were generally higher during the period of investigation.

- 2.8. Domestic manufacturing of the subject product increased between 2023 and 2024; however, capacity utilisation remained significantly low during the same period, indicating substantial underutilisation of existing production capacity
- 2.9. During the period 2023 – 2025, the domestic industry faced a price disadvantage compared with similar imported products.

3. COMMENTS

- 3.1. To ensure that the Commission had all relevant information at its disposal, comments from interested parties were solicited through the publication of the application in Government Gazette No. 52883, Notice 3316 of 20 June 2025. Subsequently, the Commission received a total of seven (7) comments for the investigation from various retailers, importers, government entities, and raw material suppliers.
- 3.2. Comments in support of the application highlighted, among other factors, the increase in local demand, potential for job creation, and the benefits of promoting domestic production as key reasons for their support. In contrast, objections to the application raised concerns that the proposed tariff increase could lead to higher consumer prices, unfair market advantages, reduced competition, and potential monopolistic practices.

4. FINDINGS

- 4.1 The Commission considered the information at its disposal, including comments received during the investigation. The Commission found that:
 - Riifo is the only known domestic manufacturer of the subject product within the SACU.
 - Domestic production volumes and sales followed a similar upward trend, increasing over the period of investigation. However, capacity utilisation remained low, indicating significant underutilisation of existing production capacity.

- The total cost of production increased over the period of the investigation. Direct variable costs, which constitute the largest share of the Applicant's production expenses, declined between 2023 and 2024 but are projected to increase slightly in 2025.
- In terms of profitability, the Applicant has been operating at a loss since entering the market.
- Although the Applicant currently manufactures pipes without fittings, both pipes under tariff subheadings 3917.39.20 (without fittings) and 3917.39.90 (with fittings) were included in the scope of the investigation. These products differ only in the presence of fittings, with the underlying product remaining the pipe. Therefore, any difference in duty rates between these subheadings may create unintended incentives for potential duty circumvention.
- During the period of investigation, the Applicant faced a price disadvantage compared with similar imported products.
- The ERP analysis indicated that increasing the duty to 20% would raise the ERP, thereby enhancing the protection of domestic value addition.

5. RECOMMENDATION

5.1. In light of the foregoing, the Commission decided to recommend an increase in the rate of customs duty from 15% to 20% *ad valorem duty* on:

- Tubes, pipes and hoses of polymers of ethylene, seamless, without fittings, multi-layered, having an intermediate layer of aluminium and an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.20 by the creation of separate 8-digit tariff subheading. This was owing, amongst other things, to the fact that the Applicant experienced price disadvantages against similar imported products, capacity underutilization, and net losses.
- Tubes, pipes and hoses of polymers of ethylene, seamless, with fittings, multi-layered, having an intermediate layer of aluminium and with an outside diameter not exceeding 32mm, classifiable in tariff subheading 3917.39.90, by the creation of separate 8-digit tariff subheading. This was owing to the fact that both pipes under

tariff subheadings 3917.39.20 (without fittings) and 3917.39.90 (with fittings) are essentially the same, differing only in the presence of fittings, with the underlying product remaining the pipe. Therefore, any difference in duty rates between these subheadings may create unintended incentives for potential duty circumvention.

- 5.2. Furthermore, it is proposed that the duty structure be reviewed after three years from the date of implementation, or such other period as decided by the Commission, to determine its impact of the customs duty increase on the industry value chain.