

## **REPORT NO. 735**

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON CONICAL  
STEEL DRUMS, OF STEEL, OF A CAPACITY OF 210 LI OR MORE BUT  
NOT EXCEEDING 234 LI, CLASSIFIABLE UNDER TARIFF SUBHEADING  
7310.10.90**

The International Trade Administration Commission herewith presents its **Report No. 735: INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON CONICAL STEEL DRUMS, OF STEEL, OF A CAPACITY OF 210 LI OR MORE BUT NOT EXCEEDING 234 LI, CLASSIFIABLE UNDER TARIFF SUBHEADING 7310.10.90**, with recommendations.



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

**PRETORIA**

**21 February 2025**

# REPUBLIC OF SOUTH AFRICA

## INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

### REPORT NO. 735

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON CONICAL STEEL DRUMS, OF STEEL, OF A CAPACITY OF 210 LI OR MORE BUT NOT EXCEEDING 234 LI, CLASSIFIABLE UNDER TARIFF SUBHEADING 7310.10.90.**

#### **Synopsis**

Peninsula Drums (Pty) Ltd (herein referred to as “Peninsula Drums” or the “applicant”), applied for an increase in the general rate of customs duty on conical steel drums, of steel, of a capacity of 210 li or more but not exceeding 234 li, classifiable under tariff subheading 7310.10.90, from free of duty to the World Trade Organisation (“WTO”) bound rate of 15% *ad valorem*.

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

- The subject products fall under the domestic steel value chain which, as identified in the South African Steel and Metal Fabrication Masterplan, is faced with several challenges including, amongst others, declining production volumes, increased imports, rising prices of electricity, and high prices of raw materials;
- The Masterplan further notes that these challenges have necessitated a value chain approach in dealing with the problems facing the industry, advocating for a balanced approach in tariff setting, prioritizing the protection needs of the downstream steel manufacturing and metal fabrication industries to safeguard the entire industry against low priced import competition;

- The applicant is the only manufacturer of the subject products in the SACU region;
- The applicant has been facing an escalating cost structure for the manufacture of the subject products over the period under consideration;
- The domestic industry has sufficient capacity to supply the total domestic demand;
- Capacity utilization remained considerably low over the period under investigation;
- The domestic industry manufacturing the subject products is not price-competitive against similar imported products; and
- Although the Commission investigated and granted the protection of 15% *ad valorem* against imports of conical steel drums classifiable under tariff subheading 7310.10.10 in 2012, the domestic market has, over time, experienced a shift in market requirements with smaller sized conical steel drums, the subject products, becoming more popular than their dutiable counterparts. As such, without tariff protection on these products, the domestic industry remains completely exposed to fierce foreign competition.

The Commission concluded that the requested tariff support should enable the domestic industry manufacturing the subject products to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in increased volumes with a reduction in the marginal cost of production.

The Commission recommended that the general rate of customs duty on conical steel drums, of steel, of a capacity of 210 li or more but not exceeding 234 li, classifiable under tariff subheading 7310.10.90, be increased from free of duty to the WTO bound rate of 15% *ad valorem*.

Furthermore, the Commission recommended that the proposed duty on the subject products be reviewed after a period of 3 years following implementation of the tariff support (unless otherwise determined by the Commission) to assess the performance of the domestic industry.

## THE APPLICATION AND TARIFF POSITION

1. Peninsula Drums applied for an increase in the general rate of customs duty on conical steel drums, of steel, of a capacity of 210 li or more but not exceeding 234 li, classifiable under tariff subheading 7310.10.90, from free of duty to the World Trade Organisation (“WTO”) bound rate of 15% *ad valorem*.
2. The application is also seeking the deletion of tariff subheading 7310.10.10 that provides for steel drums of a capacity of 235 li or more, and the creation of a new tariff subheading for conical steel drums of a capacity of 210 li or more.
3. The applicant is a 100% black owned business that manufactures steel and plastic drums at its manufacturing plant based in Cape Town, Western Cape Province. The applicant is also involved in the reconditioning of used drums.
4. The range of products manufactured by the applicant include conical drums, galvanised drums, open top drums and tight-head drums. The applicant has established itself as a trusted supplier of drum solutions in the domestic market to various industries including the pulp, puree, fruit concentrate, and the petrochemical and construction sectors.
5. As motivation for the application, the applicant cited, *inter alia*, the following:
  - In 2012, the company applied for, and was granted, an increase in duty from free of duty to 15% *ad valorem* for conical steel drums with a capacity of 235 li or more. The company has, however, come under increasing pressure from low priced imports of conical steel drums in the capacity range of 210 li to 234 li, resulting in a loss of business;
  - If the loss of business on conical steel drums continues, it will have an extremely negative effect across all products supplied; and
  - Although the company is aware that the requested 15% duty will not fully address the existing price differentials, it is of the view that this is a good start to addressing the existing challenge.

6. The application was published in Government Gazette No. 50687 of 24 May 2024, under Notice 2508 of 2024 for a period of four (4) weeks, for interested parties to comment, as follows:

**INCREASE IN THE GENERAL RATE OF CUSTOMS DUTY ON:**

*“Conical steel drums, of steel, of a capacity of 210 li or more but not exceeding 234 li, classifiable in tariff subheading 7310.10.90, from free of duty to the WTO bound rate of 15% ad valorem,<sup>1</sup> by the deletion of tariff subheading 7310.10.10 that provides for conical steel drums of a capacity of 235 li or more and the creation of a new 8-digit tariff subheading for conical steel drums of a capacity of 210 li or more”.*

7. The existing tariff structure for the subject products 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	
73.10	Tanks, casks, drums, cans, boxes and similar containers, for any material (excluding compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 li, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment:								
7310.10	- Of a capacity of 50 li or more:								
7310.10.10	-- Conical steel drums of a capacity of 235 li or more	kg	15%	free	free	free	15%	9%	
7310.10.90	-- Other	kg	free	free	free	free	free	free	

Source: SARS, 2024

8. The subject products are currently imported free of duty and the applicable WTO bound rate is 15% *ad valorem*.
9. The applicant requested an increase in the general rate of customs duty on conical steel drums, of a capacity of 210 li or more but not exceeding 234 li, classifiable under tariff subheading 7310.10.90, from free of duty to 15% *ad valorem*.
10. The requested increase is by the deletion of tariff subheading 7310.10.10 for conical steel drums of a capacity of 235 li or more which currently attracts a 15% *ad valorem* MFN duty and the creation of a new 8-digit tariff subheading for conical steel drums with a capacity of 210 li or more.
11. The subject products are currently classified under tariff subheading 7310.10.90. The tariff subheading incorporates other products that are not subject to this investigation.

12. For administration purposes, the South African Revenue Service (“SARS”) provided the following description:

*“Conical steel drums, of steel, of a capacity of 210 li or more but not exceeding 234 li, classifiable in tariff subheading 7310.10.90, by the deletion of tariff subheading 7310.10.10 that provides for conical steel drums of a capacity of 235 li or more and the creation of a new 8-digit tariff subheading for conical steel drums of a capacity of 210 li or more”.*

13. Table 2 below shows the requested tariff structure for the subject products as follows:

**Table 2: Requested tariff structure for the subject products**

Tariff Heading / Subheading	Description	Statistical unit	Rate of duty					
			GENERAL	EU/UK	EFTA	SADC	MERCOSUR	AfCFTA
73.10	Tanks, casks, drums, cans, boxes and similar containers, for any material (excluding compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 li, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment:							
7310.10	- Of a capacity of 50 li or more:							
7310.10.xx	-- Conical steel drums of a capacity of 210 li or more	kg	15%	free	free	free	15%	9%
7310.10.90	-- Other	kg	free	free	free	free	free	free

Source: SARS, Applicant (2023)

## **INDUSTRY AND MARKET**

14. The subject product is a conical steel drum, which is a cold rolled steel drum with a galvanized lid and a clip-on closing ring, classifiable under tariff subheading 7310.10.90. The drum contains an internal coating, an Food and Drug Administration (“FDA”) approved epoxy phenolic baked lining.

15. The product is manufactured using cold rolled steel coils and sheets. The manufacturing process involves the edge grinding and bending of steel into shape by the applicant. Once the drums are formed, an internal coating, an FDA approved epoxy phenolic baked lining, is then applied at a final assembly stage.

16. The materials and components used in the manufacture of the subject products are mainly sourced from domestic suppliers.

17. Although there are several manufacturers of new steel drums in the domestic market, the applicant is the only manufacturer of the subject products locally.

18. The known importers and users of the subject products include:

- Southern Canned Products (Pty) Ltd;
- Summerpride Foods Ltd;
- Ceres Fruit Processors (Pty) Ltd; and
- Cape Fruit Processors (Pty) Ltd.

19. Figure 1 below provides an illustration of the subject products:

Figure 1: Illustration of the subject products



Source: Applicant (2023)

20. Although the applications or end-uses for the drums are almost limitless, the applicant mainly supplies the subject product to the domestic food processing industry (pulp, puree, and fruit concentrate industries).
21. Import volumes of conical steel drums with a capacity of 235 litres or more declined from 97 359 kg in 2021 to 51 863 kgs in 2023. The majority of imports under this tariff subheading (7310.10.10), more than 70%, originated from Europe, meaning they are imported free of duty. This points to the potential effectiveness of the current MFN customs duty of 15% *ad valorem* in discouraging imports of conical steel drums into the domestic market from markets wherein the duty is applicable.
22. Similarly, imports under tariff subheading 7310.10.90 – Other, declined throughout the period under consideration, declining from 1 246 693 kg in 2021 to 833 394 kg in 2023. However, it should be noted that this tariff subheading includes other products not subject to this investigation, meaning that purely relying on this trend can be misleading for the purpose of trade policy adjustment, especially in this case where

the creation of a separate tariff subheading is sought.

23. The majority of imports under tariff subheading 7310.10.90 originate in Asia, mainly China and the Middle East, mainly Jordan. These two regions, together, constitute in excess of 50% of all imports coming into the country under this tariff subheading.

24. Although the Commission investigated and granted the duty protection of 15% *ad valorem* against imports of conical steel drums classifiable under tariff subheading 7310.10.10 in 2012, the trends in the trade data and the submissions from industry show that the domestic market has, over time, experienced a shift in market requirements with smaller sized conical steel drums, the subject products, becoming more popular than their dutiable counterparts. As such, without tariff protection on these products, the domestic industry remains completely exposed to fierce foreign competition.

### **COMPETITIVE POSITION**

25. The domestic industry manufacturing the subject products is not price-competitive against similar imported products.

### **COMMENTS RECEIVED**

26. A letter of support for the application from ArcelorMittal South Africa, the local supplier of steel coil used in the manufacture of the subject product, was submitted with the application.

27. Support for the application was also received from the South African Iron and Steel Institute, citing, amongst others, the following:

- Peninsula Drums has been a reputable supplier in South Africa for over two decades;
- This characteristic positions the conical drum range favourably for export and presents an opportunity to grow, especially in the context of the African Continental Free Trade Area;

- South Africa has ample capacity to produce cold-rolled and galvanised steel sheets and currently supplies the applicant;
- Imports of the product under investigation surged over the past decade, resulting in severe negative implications for the entire value chain. This translates to a loss in demand for cold-rolled and galvanised sheets, as well as other downstream products that are sourced locally, such as bolts, nuts, and washers;
- In addition to the concerning low-priced imports from Jordan and China, there is a disturbing trend of imports of final products declared below the steel price;
- The proposed increase in customs duty will provide necessary relief to Peninsula Drums, ensuring the sustainability of the company in the face of unfairly low-priced imports; and
- It will benefit the entire steel value chain, yielding improvements in competitive position through economies of scale, boosting exports, and creating jobs.

28. Comments objecting to the application were received from Ceres Fruit Processors Pty Ltd and Summerpride Foods Pty Ltd. Mainly, the objections cited, *inter alia*, that:

- Imports of conical drums are not the problem, but the problem is with the steel industry and the uncompetitive nature thereof;
- For processed products to remain competitive in global markets, the supply of packaging materials has to remain competitive and not to be artificially inflated by the proposed duty;
- The proposed tariff increase does not address the source of the problem;
- By not addressing the source of the problem, the challenge is being exacerbated in that the end user of steel products is being financially disenfranchised; and
- Peninsula is the only local supplier and the proposed duty will increase the company's risk of supply and will limit the options for back-up supply. If a

duty protects an industry with only one supplier, it is in fact protecting/creating a monopoly.

## **FINDINGS**

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

- The subject products fall under the domestic steel value chain which, as identified in the South African Steel and Metal Fabrication Master Plan, is faced with several challenges including amongst others, declining production volumes, increased imports, rising prices of electricity, and high prices of raw materials;
- The Masterplan further notes that these challenges have necessitated a value chain approach in dealing with the problems facing the industry advocating for a balanced approach in tariff setting prioritizing the protection needs of the downstream steel manufacturing and metal fabrication industries to safeguard the entire industry against low priced import competition;
- The applicant is the only manufacturer of the subject products in the SACU region;
- The applicant has been facing an escalating cost structure for the manufacture of the subject products over the period under consideration
- The domestic industry has sufficient capacity to supply the total domestic demand;
- Capacity utilization remained considerably low over the period under investigation;
- The domestic industry manufacturing the subject products is not price-competitive against imports of the subject products; and
- Although the Commission investigated and granted the protection of 15% *ad valorem* against imports of conical steel drums classifiable under tariff

subheading 7310.10.10 in 2012, the domestic market has, over time, experienced a shift in market requirements with smaller sized conical steel drums, the subject products, becoming more popular than their dutiable counterparts. As such, without tariff protection on these products, the domestic industry remains completely exposed to fierce foreign competition.

30. The Commission concluded that the requested tariff support should enable the domestic industry manufacturing the subject products to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in increased production volumes with a reduction in the marginal cost of production.

### **RECOMMENDATION**

31. In the light of the foregoing, the Commission recommended that the general rate of customs duty on conical steel drums, of steel, of a capacity of 210 li or more but not exceeding 234 li, classifiable under tariff subheading 7310.10.90, be increased from free of duty to the WTO bound rate of 15% *ad valorem*, by the deletion of tariff subheading 7310.10.10 that provides for steel drums of a capacity of 235 li or more, and the creation of a new tariff subheading for conical steel drums of a capacity of 210 li or more.

32. Furthermore, the Commission recommended that the proposed duty on the subject products be reviewed after a period of 3 years following implementation of the tariff support (unless otherwise determined by the Commission) to assess the performance of the domestic industry.